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Mar. 16, 1977

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**Official Statement**

**Santa Margarita Water District**  
**Orange County, California**

**\$6,250,000**

**Bonds for Improvement District No. 1-W,  
1968 Water Bonds, Series D**

**(General Obligations)**

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Bids to be received on behalf of the District at the office of Bank of America N.T. & S.A.,  
(Corporate Agency Division) Conference Room A, 111 West Seventh Street,  
Los Angeles, California 90014 at 11:00 A.M., Thursday, April 21, 1977.



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**SANTA MARGARITA WATER DISTRICT  
IMPROVEMENT DISTRICT NO. 1-W  
Orange County, California**

**BOARD OF DIRECTORS**

Thomas C. Blum, *President*

James G. Gilleran, *Vice President*

Richard J. O'Neill, *Vice President*

Robert Wilhelm, *Vice President*

Warren W. Wilson, *Vice President*

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**DISTRICT STAFF**

W. W. Knitz, *General Manager*

James H. Smith, *Chief Engineer*

Kenneth A. Muller, *Treasurer*

Fritz R. Stradling, *Secretary and Legal Counsel*

pub. utility water orange co.  
water develop " "  
investments. pub. securities  
local finance orange co.

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**SPECIAL SERVICES**

Rutan & Tucker, *Santa Ana*  
*Bond Counsel*

Robert Bein, William Frost & Associates, *Newport Beach*  
*Professional Environmental Engineers and Planners*

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco*  
*Financing Consultants*

Bank of America N.T. & S.A., *Los Angeles and San Francisco*

The Chase Manhattan Bank, N.A., *New York City*

Harris Trust & Savings Bank, *Chicago*  
*Paying Agents*

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**THE DATE OF THIS OFFICIAL STATEMENT IS MARCH 16, 1977**



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PRESIDENT

RICHARD J. O'NEILL  
VICE PRESIDENT

JAMES G. GILLERAN  
VICE PRESIDENT

ROBERT WILHELM  
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WARREN W. WILSON  
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FRITZ R. STRADLING  
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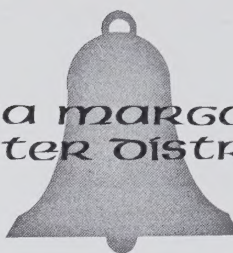
KENNETH A. MULLER  
TREASURER

W. W. KNITZ  
GENERAL MANAGER

JAMES H. SMITH  
CHIEF ENGINEER

RUTAN & TUCKER  
GENERAL COUNSEL

santa margarita  
water district



25571 MARGUERITE PARKWAY (POST OFFICE BOX 2277) MISSION VIEJO, CALIFORNIA 92675 (714) 586-1973

March 16, 1977

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of Improvement District No. 1-W \$6,250,000 1968 Water Bonds, Series D, authorized and issued for the purpose of assisting in the financing of water system improvements and paying of expenses in connection with bond issuance.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultant to the Santa Margarita Water District with regard to its Improvement District No. 1-W, 1968 Water Bonds, Series D. (Such firm will receive compensation from the District contingent upon the sale and delivery of the Bonds.) Summaries herein presented of the Resolution of Issuance, Notice Inviting Bids, proposed project improvements, and financial and economic data do not purport to be complete, and reference is made to the documents on file in the office of the Secretary of the District for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

The Official Statement does not constitute a contract with the buyers or holders, from time to time, of the Bonds. The Resolution of Issuance, which does constitute such a contract, is available to any prospective bidder on request from said Secretary.

The legal opinion, approving the validity of the Bonds, will be furnished by Rutan & Tucker, Santa Ana, California, Bond Counsel to the District. Bond Counsel's participation in the preparation of this Official Statement has been limited to reviewing the statements of law and legal conclusions as set forth herein under the heading "The Bonds".

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement have been duly authorized by the District.

SANTA MARGARITA WATER DISTRICT

Thomas C. Blum, President

Fritz R. Stradling, Secretary



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Map showing Mission Viejo and its location in Southern California. The portion of Mission Viejo located within the Santa Margarita Water District comprises Improvement Districts Nos. 1-S and 1-W of the District.



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# INTRODUCTION

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The \$6,250,000 principal amount of Santa Margarita Water District 1968 Water Bonds, Series D, for Improvement District No. 1-W, which are currently offered for sale are the fourth series of a total \$31,500,000 authorized water bonds. After sale of these Bonds, there will be \$13,550,000 authorized but unissued water bonds.

The \$13,700,000 principal amount of Santa Margarita Water District 1968 Sewer Bonds, Series C, for Improvement District No. 1-S, which are also currently offered for sale (these Bonds are the subject of a separate official statement) are the third series of a total \$30,000,000 authorized sewer bonds. After sale of the Series C Bonds, there will be \$13,300,000 authorized but unissued sewer bonds.

The water and sewer bond proceeds will be used to finance construction of water and sewerage system improvements needed to serve present and future homeowners within the respective improvement districts, purchase of capacity rights in water transmission lines, repayment of developer loans and other improvements, as detailed in the section of this official statement entitled "The Projects."

Improvement Districts Nos. 1-W and 1-S are coterminous and comprise the portion of the planned community of Mission Viejo located within the Santa Margarita Water District. Mission Viejo is a development of Mission Viejo Company, a subsidiary of Philip Morris, Incorporated.

The overall District is a landowner district and ad valorem taxes or assessments are levied upon land only in the improvement districts. The 1976/77 assessed valuation (land only) of the coterminous improvement districts is \$17,472,990. The 1976/77 assessed valuation of all property within the improvement districts is \$38,098,970. Fair market value of land only in the improvement districts was appraised at \$146,000,000 as of September 1976 by Philip S. Jackson, M.A.I. A copy of the appraisal letter of transmittal is included as an appendix to this official statement. Capital investment within the improvement districts by the developer, Mission Viejo Company, totalled \$83.9 million as of February 28, 1977.

Mission Viejo is located in southern Orange County about 20 miles southeast of Santa Ana, the county seat, and 55 miles southeast of Los Angeles. It is served by Interstate 5, the major north-south freeway on the Pacific Coast, providing easy access to virtually anywhere in the nation. Development of Mission Viejo began in 1966 in the adjacent Moulton Niguel Water District. Development within the Santa Margarita Water District's improvement districts began in 1971 and by January 1977 had reached 3,289 completed homes and an estimated population of 11,512. As of the same date, total Mission Viejo development, both within and outside the Santa Margarita Water District, totalled 10,885 dwelling units and a population of approximately 38,100. The developer plans to market about 1,500 homes per year through 1980. Completion of development is expected to occur in 1986-87. Current home prices range from \$43,000 to \$87,000. Recently, the demand for new homes has exceeded supply throughout the southern Orange County area.

Orange County is one of the fastest growing urban areas in the nation. Growth within the county is principally in the southern portion on former ranch lands, which includes Mission Viejo. Since 1960, the county's population has increased from 703,925 to 1,749,900 (July 1976 State Department of Finance estimate), or 249%. During the same period, the county's assessed valuation increased from \$1,271,871,200 to \$8,525,901,232, an increase of 670%.

The entire Santa Margarita Water District comprises about 63,000 acres, of which 6,655 are in Improvement Districts Nos. 1-W and 1-S. The 1976/77 assessed valuation on land only for the entire District is \$24,645,840, of which \$17,472,990 comprises Improvement Districts Nos. 1-W and 1-S. For the period 1971/72-1975/76, secured tax delinquencies averaged 0.20% for the two improvement districts.

Including the Series D Water Bonds and Series C Sewer Bonds currently offered, the outstanding general obligation bonded debt for Improvement Districts Nos. 1-W and 1-S will be \$17,425,000 and \$16,475,000 respectively. The two improvement districts' total direct and estimated overlapping bonded debt will be \$37,543,493, or 214.87% and 98.54% of the 1976/77 assessed valuations on land only, and on all property, respectively. The total debt will be 25.71% of the 1976/77 estimated market value of land only, as established by an independent appraiser.



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# THE BONDS

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## Authority for Issuance

At a special election held on September 17, 1968, voters within Improvement District No. 1-W of the Santa Margarita Water District ("the Improvement District") authorized the issuance of \$25,000,000 of general obligation bonds. On October 16, 1972, an additional \$6,500,000 general obligation bonds were authorized by notice and hearing for the Improvement District, pursuant to Division 13 of the California Water Code. Series A, B and C Bonds in the amounts of \$1,600,000, \$3,100,000 and \$7,000,000 were sold and dated October 1, 1968, December 1, 1972 and March 1, 1975, respectively.

The \$6,250,000 Santa Margarita Water District Bonds for Improvement District No. 1-W, 1968 Water Bonds, Series D, ("the Bonds") now being offered for sale will be issued pursuant to the provisions of a resolution of the District Board of Directors adopted November 15, 1976 and amended March 16, 1977. Proceeds from the sale of the bonds will be used to finance water system improvements for the Improvement District.

## State Treasurer Approval

The California District Securities Division (DSD), office of the State Treasurer, is a State agency as provided under Division 10 of the Water Code. The Districts Securities Advisory Commission consists of a representative of the Department of Water Resources and six other members, all appointed by the State Treasurer. The Advisory Commission reviews the construction and financing programs of certain types of water and sewer districts. Sale of bonds of these districts is subject to the approval of the State Treasurer for certification by the State Controller.

The Santa Margarita Water District is subject to jurisdiction of the DSD. Prior to approval of the bond sale, the division staff makes a thorough investigation of the project, bond security, terms and conditions. Expenditure of bond proceeds must

also be approved by the DSD. The District must also file an annual report of revenues and expenses both with the DSD and the State Controller.

The DSD approved the sale of the Series D Bonds at its meeting held on March 18, 1977.

## Terms of Sale

Bids for the purchase of the Bonds will be received by a representative of the Board of Directors of the Santa Margarita Water District at 11:00 A.M., Thursday, April 21, 1977, in Conference Room A, Bank of America N.T. & S.A. (Corporate Agency Division), 111 West Seventh Street, Los Angeles, California 90014. It is anticipated that award of the Bonds to the successful bidder will be made by the Board of Directors at its meeting later on the same date. Details of the terms of sale are included in the Notice Inviting Bids dated March 16, 1977, a copy of which accompanies this official statement as originally distributed. The District has not applied for ratings from the bond rating agencies.

## Description of the Bonds

The \$6,250,000 principal amount of Bonds will be dated April 1, 1977 and will be issued in denominations of \$5,000 each. The Bonds will be numbered D1 through D1250 and will be payable annually on April 1 of each year as shown in the following tabulation.

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## MATURITY SCHEDULE

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Maturity Date April 1	Principal Amount	Maturity Date April 1	Principal Amount
1979 ...	\$ 95,000	1992 ...	\$235,000
1980 ...	105,000	1993 ...	255,000
1981 ...	115,000	1994 ...	270,000
1982 ...	120,000	1995 ...	290,000
1983 ...	130,000	1996 ...	310,000
1984 ...	140,000	1997 ...	335,000
1985 ...	145,000	1998 ...	360,000
1986 ...	155,000	1999 ...	385,000
1987 ...	170,000	2000 ...	410,000
1988 ...	180,000	2001 ...	445,000
1989 ...	190,000	2002 ...	475,000
1990 ...	205,000	2003 ...	510,000
1991 ...	220,000		

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Interest is payable semi-annually on the first days of October and April in each year, commencing October 1, 1977. Interest and principal are payable at the Corporate Agency Division of the paying



agent, Bank of America N.T. & S.A., Los Angeles or San Francisco, California, or at paying agents of the District in New York, New York and Chicago, Illinois.

### Redemption Provisions

Bonds maturing on or before April 1, 1991, a total principal amount of \$1,970,000, are not subject to call and redemption prior to their fixed maturity dates. Bonds maturing on or after April 1, 1992, a total principal amount of \$4,280,000, are subject to call and redemption, at the option of the District, as a whole or in part in inverse order of maturity and by lot within a single maturity on April 1, 1991, or on any interest payment date thereafter, upon payment of a redemption price equal to the principal thereof plus a premium of one-fourth of one percent of such principal amount for each year or fraction of a year from the redemption date to the maturity date of the Bonds called for redemption. The maximum premium payable upon call of the Bonds for redemption on or after April 1, 1991 would be three percent.

### Notice of Redemption

Notice of redemption is to be published in a newspaper of general circulation in the County of Orange, California and a financial newspaper or financial journal, published in the City of New York, New York. The first publication must be at least 30 days but not more than 60 days prior to the redemption date. The paying agent is required to give written notice to the owners of any registered Bonds.

### Registration

The Bonds will be issued as coupon bonds and will be registrable only as to both principal and interest, with the privilege of discharge from registration and re-registration, all in accordance with the provisions in the resolution providing for the issuance of the Bonds.

### Purpose and Disposition of Bond Proceeds

The proceeds from the sale of the Bonds will be used to finance construction of water system improvements, as detailed in the section of this official statement entitled "The Projects."

Under the provisions of the Resolution of Issuance for the Bonds, bond proceeds will also be applied to the following special funds:

(1) A sum equal to the first two years' interest on the Bonds will be deposited in the Interest Fund.

(2) A sum equal to the maximum annual interest on the Series D Bonds outstanding (calculated excluding the first two years' interest, which is to be funded from Bond proceeds) will be deposited in the Reserve Fund established for the Series D Bonds. The Reserve Fund for the Series D Bonds shall not fall below \$150,000.

The estimated amount of Bond proceeds to be used for each of the specified purposes is as shown in the tabulation below.

#### 1968 Water Bonds, Series D

##### Disposition of Bond Proceeds

Total project costs .....	\$4,855,620
Funded Interest (2 yrs. @ 7%) ....	875,000
Less Interest earnings .....	(77,220)
Reserve Fund (maximum annual interest) .....	430,850
Provision for bond discount (1½% maximum) .....	93,750
Costs of issuance .....	72,000
Principal Amount of Bonds ..	\$6,250,000

### Additional Bonds

After sale of the Series D Bonds currently offered, Improvement District No. 1-W will have \$13,550,000 authorized but unsold general obligation bonds. The District does not anticipate offering additional bonds for sale before April 1979 and then only if needed and subject to approval of the State Treasurer.

### Tax Exempt Status

In the opinion of Bond Counsel, interest on the Bonds is exempt from present federal income taxes and from State of California personal income taxes under existing statutes, regulations and court decisions.

### Security

The Bonds are general obligations of Improvement District No. 1-W of the Santa Margarita Water District and the Board of Directors has the power and is obligated to levy annual ad valorem taxes for payment of the Bonds and the interest thereon upon land only within the Improvement District



without limitation as to rate or amount. The foregoing obligations, however, may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. At the option of the Board of Directors, other Improvement District funds which are not special purpose funds restricted by law to specific uses may be used to meet bond service.

It is noted that the District Board of Directors have adopted a policy regarding the method by which moneys will be raised from water sales, ad valorem assessments, standby charges, connection fees and acreage assessments. This policy states that all water system expenses including bond service will be met from: (a) Water sales rates maintained at their current level, except to adjust them for changes in purchased water costs and operating costs; (b) Ad valorem assessment rate will not exceed \$2.00 per \$100 assessed value of land only; (c) Acreage assessment rate will not exceed \$5.00 per year per developed residential lot, or its equivalent. The balance of necessary revenues will be obtained from: (d) Connection fees paid by developers; (e) Acreage assessments levied on undeveloped lands; and (f) Miscellaneous revenue sources of the District.

## Legal Opinion

The unqualified opinion of Rutan & Tucker, Santa Ana, California, Bond Counsel for the District, attesting to the validity of the Bonds, will be supplied free of charge to the purchaser of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond without charge to the successful bidder.

## Certificate Concerning Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the successful bidder a certificate, signed by an appropriate officer of the District, acting in his official capacity, to the effect that to the best of his knowledge and belief, and after reasonable investigation: (a) Neither the official statement relating to the Bonds nor any amendment or supplement thereto contains any untrue

statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (b) since the date of the official statement no event has occurred which should have been set forth in an amendment or supplement to the official statement which has not been set forth in such an amendment or supplement; nor (c) has there been any material adverse change in the operation or financial affairs of the District since the date of such official statement.

## Other Closing Documents

In addition to the opinion of Bond Counsel and the Certificate Concerning Official Statement described above, the District will, at the time of delivery of the Bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

1. *Arbitrage Certificate.* A certificate of a responsible officer of the District certifying that, on the basis of the facts and circumstances in effect at the time of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds.

2. *Signature—No Litigation Certificate.* A certificate of the respective officers and representatives of the District showing that they have signed the Bonds by manual or facsimile signature, that they were duly authorized to execute the same, and that there is no litigation threatened or pending affecting the validity of the Bonds.

3. *Treasurer's Receipt.* The receipt of the Treasurer of the District showing that the purchase price of the Bonds, including accrued interest to the date of delivery (if any), has been received by the District.

## Estimated Annual Bond Service

Table 1 presents an estimate of annual bond service for the \$6,250,000 principal amount of 1968 Water Bonds, Series D. Interest is estimated at 7 percent. Actual bond service on the Improvement District's outstanding Series A, B and C Bonds is also shown.



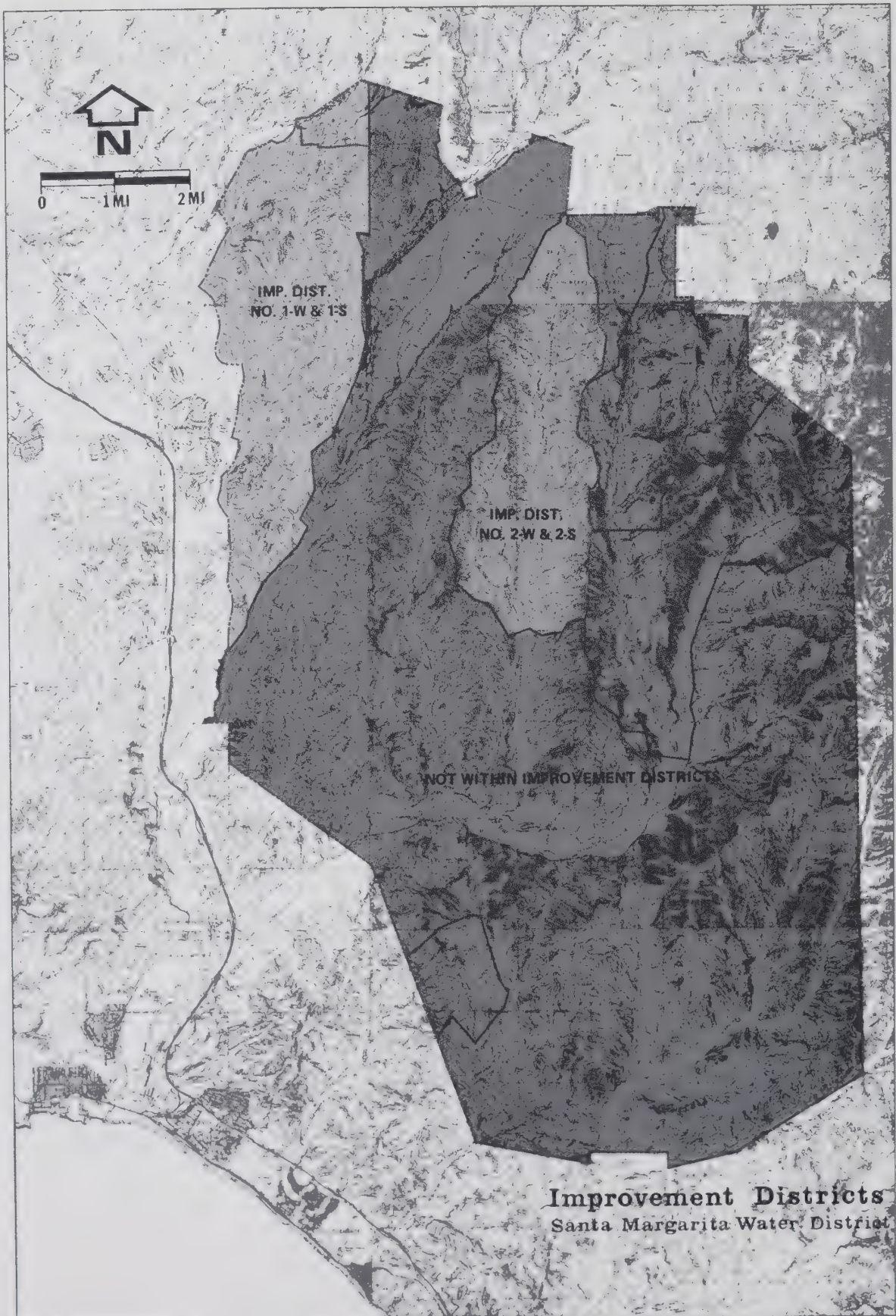
**Table 1****IMPROVEMENT DISTRICT NO. 1-W****SANTA MARGARITA WATER DISTRICT****Estimated Annual Bond Service**

Year Ending April 1	Estimated Bond Service, Series D Bonds				Series A, B & C Bonds Actual Bond Service	Grand Total
	Principal Outstanding	Interest at 7%	Principal Maturing April 1	Total Bond Service		
1978 .....	\$6,250,000	\$ 437,500①	\$ —	\$ 437,500	\$ 987,655	\$ 1,425,155
1979 .....	6,250,000	437,500①	95,000	532,500	1,018,765	1,551,265
1980 .....	6,155,000	430,850	105,000	535,850	1,041,049	1,576,899
1981 .....	6,050,000	423,500	115,000	538,500	1,090,693	1,629,193
1982 .....	5,935,000	415,450	120,000	535,450	1,071,568	1,607,018
1983 .....	5,815,000	407,050	130,000	537,050	1,042,128	1,579,178
1984 .....	5,685,000	397,950	140,000	537,950	1,012,525	1,550,475
1985 .....	5,545,000	388,150	145,000	533,150	984,075	1,517,225
1986 .....	5,400,000	378,000	155,000	533,000	967,550	1,500,550
1987 .....	5,245,000	367,150	170,000	537,150	964,575	1,501,725
1988 .....	5,075,000	355,250	180,000	535,250	985,475	1,520,725
1989 .....	4,895,000	342,650	190,000	532,650	952,675	1,485,325
1990 .....	4,705,000	329,350	205,000	534,350	924,644	1,458,994
1991 .....	4,500,000	315,000	220,000	535,000	915,481	1,450,481
1992 .....	4,280,000	299,600	235,000②	534,600	880,569	1,415,169
1993 .....	4,045,000	283,150	255,000②	538,150	895,536	1,433,686
1994 .....	3,790,000	265,300	270,000②	535,300	880,888	1,416,188
1995 .....	3,520,000	246,400	290,000②	536,400	840,763	1,377,163
1996 .....	3,230,000	226,100	310,000②	536,100	860,375	1,396,475
1997 .....	2,920,000	204,400	335,000②	539,400	816,125	1,355,525
1998 .....	2,585,000	180,950	360,000②	540,950	596,600	1,137,550
1999 .....	2,225,000	155,750	385,000②	540,750	514,800	1,055,550
2000 .....	1,840,000	128,800	410,000②	538,800	482,400	1,021,200
2001 .....	1,430,000	100,100	445,000②	545,100	—	545,100
2002 .....	985,000	68,950	475,000②	543,950	—	543,950
2003 .....	510,000	35,700	510,000②	545,700	—	545,700
Totals ...		\$7,620,550	\$6,250,000	\$13,870,550	\$20,726,914	\$34,597,464

① To be paid from Bond proceeds.

② Callable on or after April 1, 1991.







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# DISTRICT ORGANIZATION AND FACILITIES

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## Formation and Organization

The Santa Margarita Water District was formed in 1964 pursuant to the California Water District Law (California Water Code Section 34000 et seq.). The District is a landowner-vote district. District formation, election of officers, and authorization of bonds are by vote of qualified electors, defined under the law as owners of the land.

Major landholders and their approximate ownerships or options within the District include the following:

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Rancho Mission Viejo .....	40,450 acres
Mission Viejo Company .....	6,655 acres
Starr Viejo Park .....	5,500 acres
Coto de Caza Corporation .....	4,930 acres
Audubon Society Preserve .....	3,800 acres
Top of the Starr .....	875 acres
County Landfill Site .....	950 acres
Total .....	63,160 acres

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The District is governed by a five-member Board of Directors ("the Board") elected on a staggered basis for four-year terms. The present board members and principal staff members are as follows:

Thomas C. Blum—*President of the Board*. Mr. Blum is Vice President of Viejo Management Company and has served on the Board since 1975. Viejo Management Company operates Rancho Mission Viejo Properties.

James G. Gilleran—*Vice President of the Board*. An Executive Vice President of Mission Viejo Company, Mr. Gilleran joined the Board in November 1976.

Richard J. O'Neill—*Vice President of the Board*. Mr. O'Neill, a rancher and businessman, has served on the Board since 1964. Mr. O'Neill has an ownership interest in Viejo Management Company and has a beneficial ownership interest of one-half of Rancho Mission Viejo.

Robert Wilhelm—*Vice President of the Board*. Mr. Wilhelm is Vice President and General Manager of Coto de Caza, a development firm, and has served on the Board since 1975.

Warren W. Wilson—*Vice President of the Board*. Mr. Wilson is a Trust Officer at Crocker National Bank and has served on the Board since 1964. Crocker National Bank is the Trustee of a trust controlling one-third of Rancho Mission Viejo.

W. W. Knitz—*General Manager*. Mr. Knitz has served as District General Manager since 1975. He holds a Bachelor of Civil Engineering Degree from Marquette University. Prior to joining the District, Mr. Knitz spent over 20 years in consulting civil engineering.

James H. Smith—*Chief Engineer*. Mr. Smith has been with the District since 1973. He holds a Bachelor of Science Degree in engineering from California Polytechnic University and is a registered professional engineer in California.

Other district officers are Kenneth A. Muller, Treasurer; and Fritz R. Stradling, Secretary. Mr. Muller has over twenty years' accounting experience and has been with the District since 1975. Mr. Stradling is a partner in the law firm of Rutan & Tucker, Santa Ana, California.

## Improvement Districts

The District includes four Improvement Districts. All four are governed and operated by the District's Board of Directors and staff and have no separate employees.

Improvement Districts Nos. 1-W and 1-S are coterminous districts established August 21, 1968 by resolution of the Board of Directors of the District. Improvement Districts Nos. 1-W and 1-S were formed to finance water improvements and sewerage improvements, respectively, in the westerly portion of the Santa Margarita Water District known as Mission Viejo.

These improvement districts cover approximately 6,655 acres. Mission Viejo generally parallels Interstate 5, the San Diego Freeway. The improvement districts are bordered on the west by another recently urbanized Mission Viejo area that lies within the Moulton-Niguel Water District.

VTN Orange County, consulting engineers, prepared a revised master plan of works for construction of water and sewer facilities in the improvement dis-



tricts, particularly to serve the Mission Viejo development. This was published in 1972 and it provides for a 14-year construction period.

Another engineering consultant, Robert Bein, William Frost & Associates, of Newport Beach, prepared a water resources master plan for the entire water district. The Series D bonds for Improvement District No. 1-W currently offered are to finance water improvements for this development program. The same consultant also prepared a revised plan of works for sewerage and water reclamation facilities for Improvement District No. 1-S. This plan has been approved by the DSD. The Series C Bonds currently offered for this improvement district will be used to finance the reclamation plant and other improvements to the sewerage system.

Prior to 1972 the District was virtually uninhabited. In that year the Mission Viejo Company began construction of residences and related facilities in the Mission Viejo portion of Improvement Districts Nos. 1-W and 1-S, where there are now about 3,289 occupied dwelling units, with an estimated population of 11,512.

Improvement Districts Nos. 2-W and 2-S are coterminous districts established August 21, 1968 and January 20, 1975, respectively, by resolutions of the Board of Directors of the District. Improvement Districts Nos. 2-W and 2-S were formed to finance water improvements and sewerage improvements in the north central portion of the Santa Margarita Water District known as Coto de Caza.

These improvement districts cover 4,930 acres. The improvement districts are bordered on the west by Rancho Mission Viejo and on the east by the Starr Ranch Audubon Sanctuary and Ronald W. Caspers Regional Park, both located within the overall District.

## **Water Supply**

Improvement District No. 1-W is located within Waterworks District No. 4 of the Municipal Water District of Orange County, a member of the Metropolitan Water District of Southern California, which is the source of blended water from the Colorado River and the State Water Project (Feather River in Northern California). During the current drought conditions in Northern California, Colorado River water is being used exclusively to fulfill the needs of the District. The District does not anticipate any

water shortages to result. The Santa Margarita Water District owns 14 cubic feet per second capacity in East Orange County Feeder No. 2, and with completion of the Audfenkamp Main, will replace temporarily leased capacity in another main and will meet the increasing needs of Improvement District No. 1-W. The District will also purchase 18 cubic feet per second capacity in the Santiago Aqueduct, utilizing Series D bond proceeds.

## **Sewage Treatment and Disposal**

Santa Margarita Water District is a member of a joint powers agency known as the South East Regional Reclamation Authority (SERRA). SERRA proposes to own and operate a regional sewage treatment plant near the coastal communities of Dana Point and Capistrano Beach. The plant is currently operated by the City of San Juan Capistrano. At the present time Santa Margarita Water District owns one million gallons per day (mgd) capacity in this plant. The plant is connected to Improvement District No. 1-S by the Oso-Trabuco Interceptor, in which the District has 9.4 mgd capacity rights. The interceptor is maintained and operated by the Moulton-Niguel Water District for both districts. Costs are shared by each district based on wastewater flow through the system. The SERRA 30.6 mgd ocean outfall has been approved for construction by the State Water Resources Control Board and it is anticipated that State and federal grants will fund 87.5% of total construction costs. Completion is presently scheduled for January 1979.

However, the District has studied alternative methods of providing for its ultimate sewage treatment and disposal requirements and proposes to both participate in expansion of the SERRA treatment plant and outfall construction and to construct a one mgd pilot water reclamation plant. The latter will provide irrigation water within the District. These improvements are more fully described in the section of this official statement entitled "The Projects."

## **Operation and Maintenance**

The District performs all operation and maintenance of water and sewer facilities within the District. The District also provides administrative services, including customer relations, billing and collection services. The District currently has 19 employees.



## Water and Sewer Connections

The following tabulation presents a summary of water and sewer connections and average water demands and sewage flow since 1972/73, along with District projections through 1978/79.

### SANTA MARGARITA WATER DISTRICT IMPROVEMENT DISTRICTS 1-S and 1-W

#### Water and Sewer Demands

Year Ending June 30	Occupied Connections	Average Daily Water Demand (cu. ft./sec.)	Sewage Flow (million gal./day)
1973 .....	110	0.20	0.02
1974 .....	1,184	1.36	0.35
1975 .....	1,753	2.56	0.61
1976 .....	2,847	4.41	0.87
1977 .....	3,979	5.40	1.23
1978 .....	5,342	6.70	1.61
1979 .....	6,862	7.90	2.03

Source: 1973-76 District Annual Reports; 1977-79 District projections.

## Water and Sewer Rates and Charges

The District is presently paying Waterworks District No. 4 \$75 and \$81 per acre foot of Colorado River and blended water, respectively. The District pays its share of sewerage system operation and maintenance based on actual flows. A revenue program is now being developed for the SERRA facilities in accordance with Federal and State guidelines.

The tabulation below shows the charges to District residents for water and sewer service, including those in Improvement Districts Nos. 1-S and 1-W.

### SANTA MARGARITA WATER DISTRICT

#### Bi-Monthly Water Rates and Sewer Charges\*

WATER	
First 1,000 cubic feet (minimum) .....	\$8.00
Over 1,000 cubic feet, per each 100 cubic feet .....	.35
SEWER	
Bi-monthly flat rate .....	\$9.00

\*Effective September 1, 1975.



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# THE PROJECTS

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## **Financing Policy**

The District finances the design and construction of all major water and sewerage facilities by issuance of voter-approved general obligation bonds. Present District financing policy is to maintain a stable system of user charges and property tax rates. Any additional revenues necessary to finance District operations (including bond service requirements) are derived from connection fees from developers and acreage assessments on undeveloped land.

## **Reimbursement Agreements**

There are three reimbursement agreements between the District and Mission Viejo Company, as summarized in the following paragraphs.

The first Reimbursement Agreement dated February 2, 1974, as amended, provides that the Company will advance an amount not to exceed \$2,250,000 to construct sewer facilities and the District will reimburse this amount from proceeds of the Series C Sewer Bonds.

The second Reimbursement Agreement, dated September 1, 1976, provides that the Company shall advance an amount not to exceed \$1,500,000 for construction of water facilities and that the District will reimburse the Company from proceeds of sale of Series D Water Bonds.

The third, the Wastewater Reclamation Plant Reimbursement Agreement dated January 17, 1977, as amended, provides that the Company shall advance an amount not to exceed \$8 million toward construction of the wastewater treatment plant and disposal facilities and that the District will reimburse the Company for funds advanced for said purpose plus interest from proceeds of sale of Series C Sewer Bonds.

These aforementioned amended reimbursement agreements were approved by the California District Securities Division (DSD) office of the State Treasurer at its meeting held on March 18, 1977.

## **The Water Projects**

Improvement District No. 1-W receives water from the Colorado River and blended from the Colorado River and State Water Project via the East Orange County Feeder No. 2 under contract with Orange County Waterworks District No. 4. This will be augmented with a connection to the Audfenkamp Transmission Main in early 1977.



The Series D Water Bonds currently offered for sale will be used to finance construction of about 10.4 miles of water mains; two pump stations; a four-million gallon reservoir; payments for purchase of capacity rights in East Orange County Feeder No. 2, in the Audfenkamp Transmission Main and in the Santiago Aqueduct; the District's share of the cost of the Audfenkamp connection; and repayment of a loan by Mission Viejo Company to finance certain water system improvements already constructed.

All projects are to be constructed by Fall 1978, with construction commencing in Spring 1977. Table 2 following presents a summary of estimated project costs to be financed by the Series D Water Bonds, based on estimates prepared by the District's consulting engineers. All estimates include anticipated inflation factors to the dates of construction.

**Table 2**  
**SANTA MARGARITA WATER DISTRICT**  
**IMPROVEMENT DISTRICT NO. 1-W**  
**Estimated Project Costs<sup>①</sup>**

Project Costs:	
Water mains .....	\$ 844,800
Pump stations .....	233,100
Reservoir .....	793,800
Audfenkamp connection (developer loan) .....	400,000
Capacity rights .....	1,100,720
Loan repayment .....	1,000,000
Engineering and administration ...	280,800
Contingencies .....	202,400
Subtotal .....	\$4,855,620
Financing Costs:	
Interest during construction (2 years) .....	\$ 875,000
Less interest earnings .....	(77,220)
Reserve fund .....	430,850
Allowance for discount .....	93,750
Costs of bond issuance .....	72,000
Subtotal .....	\$1,394,380
Total Bond Issue .....	\$6,250,000

<sup>①</sup> Estimates of Robert Bein, William Frost & Associates, District's consulting engineers.

Interest on the bonds for the first two years will be funded from bond proceeds, as will a bond reserve fund equal to maximum annual interest on the Bonds (calculated excluding the first two years' interest which are to be financed from Bond proceeds).

## The Sewer Projects

As discussed previously, wastewater from Improvement District No. 1-S is conveyed by the Oso-Trabuco Interceptor Sewer to the South East Regional Reclamation Authority (SERRA) regional treatment plant and the City of San Juan Capistrano land outfall. The land outfall is reaching capacity, necessitating an extension of the Oso-Trabuco Interceptor, is being financed by developer loans, to be repaid with proceeds from the Series C Sewer Bonds currently offered.

However, to meet ultimate sewage disposal needs for Improvement District 1-S, the District proposes to utilize a combination of (1) an expanded capacity in the SERRA regional treatment plant and ocean outfall (to be constructed); and (2) staged construction of a water reclamation system within the Improvement District, thus providing sewage disposal and at the same time irrigation water for parks and greenbelts.

The Series C Sewer Bonds currently offered for sale will be used to finance construction of approximately three miles of trunk sewer lines; the Improvement District's share of the cost of the SERRA ocean sewer outfall; a pilot one million gallon-per-day water reclamation plant and appurtenances; a reclaimed water distribution system and repayment of a loan by Mission Viejo Company to finance certain sewer improvements already constructed.

All projects are to be constructed by the end of 1978. Table 3 on the next page presents a summary of estimated project costs to be financed by the Series C Sewer Bonds, based on estimates prepared by the District's consulting engineers. All estimates include anticipated inflation factors to the dates of construction.

The first two years' interest on the bonds will be funded from bond proceeds, as will the establishment of a bond reserve fund equal to maximum annual interest on the Bonds (calculated excluding the first two years' interest which are to be financed from Bond proceeds).



**Table 3****SANTA MARGARITA WATER DISTRICT  
IMPROVEMENT DISTRICT 1-S****Estimated Project Costs<sup>①</sup>**

Project Costs:	
Trunk sewer lines .....	\$ 368,200
SERRA ocean outfall .....	735,000
Pilot reclamation plant .....	1,584,000
Storage reservoir .....	2,100,000
Pump stations/mains .....	2,706,000
Reclaimed water distribution system	813,600
Hydro-cleaner truck .....	32,000
Loan repayment .....	2,231,000
Engineering and administration ...	55,200
Contingencies .....	248,200
Subtotal .....	\$10,873,200
Financing Costs:	
Interest during construction	
(2 years) .....	\$ 1,918,000
Less interest earnings .....	(339,950)
Reserve fund .....	943,250
Allowance for discount .....	205,500
Costs of bond issuance .....	100,000
Subtotal .....	\$ 2,826,800
Total Bond Issue .....	\$13,700,000

<sup>①</sup> Estimates of Robert Bein, William Frost & Associates,  
District's consulting engineers.

**Environmental Considerations**

The water and sewer projects described above are subject to the provisions of the California Environmental Quality Act (Public Resources Code, Section 21000 et seq.)

Environmental impact assessments of the proposed water system improvements were made and negative declarations adopted by the Board of Directors of the District on November 15, 1976. Notices of Determination were filed with the Orange County Clerk on November 16, 1976.

An environmental impact report concerning the pilot water reclamation plant was adopted by the Board of Directors on October 18, 1976 and the Notice of Determination filed with the Orange County Clerk on November 16, 1976. An environmental impact report concerning the seasonal storage reservoir connected with the reclamation plant was adopted by the Board of Directors on December 20, 1976 and filed with the Orange County Clerk on December 21, 1976. The environmental assessment of the SERRA treatment plant expansion and ocean outfall will be prepared by SERRA.

Environmental impact assessments were made on the proposed trunk sewer improvements and negative declarations adopted by the Board of Directors on November 15, 1976. Notices of Determination were filed with the Orange County Clerk on November 16, 1976.



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# MISSION VIEJO

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## Mission Viejo Company

The Mission Viejo Company was formed in 1963 to develop land in the Rancho Mission Viejo, the second largest landholding in Orange County. The ranch, also known as the O'Neill Ranch, covered 53,000 acres of rolling countryside in the southern portion of the county. Mission Viejo Company conceived a master plan for controlled community development of about 10,000 acres of the ranch.

Construction of homes, commercial buildings, recreation and commercial facilities, schools, streets, and water and sewer lines began in 1966. Development in this first phase was concentrated outside the Santa Margarita Water District, in the Moulton-Niguel Water District. The Mission Viejo Company reports that their property in Moulton-Niguel Water District is substantially developed. Development in the Santa Margarita Water District portion of Mission Viejo began in 1971 and continues to be the area where most new development is concentrated. The company estimates that as of January 1, 1977, 38,098 persons resided in Mission Viejo, of which 11,512 resided in Improvement Districts Nos. 1-S and 1-W of the Santa Margarita Water District.

Mission Viejo Company was purchased in 1972 by Philip Morris Incorporated, pursuant to an option obtained in 1970. Principal officers of Mission Viejo Company are as follows:

John E. Cookman, *Chairman of the Board.*

Philip J. Reilly, *President and Chief Executive Officer.*

James G. Toepfer, *Executive Vice President.*

James G. Gilleran, *Executive Vice President.*

G. H. Lodder, *Senior Vice President.*

In September 1976, Philip Morris Incorporated purchased the 6,700 acre Moulton Ranch. This property's eastern boundary is approximately one mile west of Mission Viejo and it extends westerly to Laguna Beach. While outside the Santa Margarita Water District, development of this property in the future will add to the continued rapid growth of southern Orange County.

## Current Development

Capital investment through June 1976 in the Santa Margarita Water District by the Mission Viejo Company is \$83.9 million, which represents an increase of \$38.4 million since 1974. Mission Viejo Company's development plans for the immediate future in Santa Margarita Water District include continuation of housing programs that were successful in the first phase, as well as schools, shopping and other supportive community services.

Lake Mission Viejo, in the northern portion of Improvement Districts Nos. 1-S and 1-W, comprises 125 acres, where a totally planned community environment of about 5,000 dwelling units will be built in the lake influence area. Although the filling of the lake has been delayed during the current drought conditions in Northern California, construction and sales of housing continue as scheduled. Plans also call for services similar to those found in the other Mission Viejo neighborhoods, such as schools, parks, recreational and commercial facilities.

Mission Viejo Industrial Center.





The tabulations on this page summarize current investment by the Mission Viejo Company in Improvement Districts Nos. 1-S and 1-W, and projections of upcoming development.

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**CURRENT MISSION VIEJO COMPANY  
INVESTMENT WITHIN  
SANTA MARGARITA WATER DISTRICT  
IMPROVEMENT DISTRICTS NOS. 1-S and 1-W**

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	Amount Invested as of February 28, 1977
Residential work in process .....	\$44,134,000
Model compounds .....	2,560,000
Lake Mission Viejo and improvements .....	9,158,000
Undeveloped land .....	20,297,000
Commercial land .....	599,000
Recreation facilities .....	4,188,000
Public improvements .....	2,936,000
Total Investment .....	<u>\$83,872,000</u>

Source: Mission Viejo Company.

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**MISSION VIEJO COMPANY  
PROJECTED DEVELOPMENT IN IMPROVE-  
MENT DISTRICTS NOS. 1-S and 1-W OF  
SANTA MARGARITA WATER DISTRICT**

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	1976	1977	1978	1979	1980
Single Family					
Units .....	1,011	1,101	1,040	1,020	1,095
Townhouses ..	119	418	478	601	415
Total Units	1,130	1,519	1,518	1,621	1,510

Commercial (1976-80)	Area
Lake Commercial Village .....	50,000-80,000 sq. ft.
Trabuco and Los Alisos Intersection .....	30,000-35,000 sq. ft.

Source: Mission Viejo Company, September 1976.

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As of September 1, 1976, the Company had about 3,000 lots which had received all necessary approvals to begin construction immediately. A total of 832

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**MISSION VIEJO  
COMPLETED DEVELOPMENT, 1976**

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Moulton-Niguel Water District	Santa Margarita Water District I.D.s Nos. 1-S & 1-W
7,596 Occupied homes①	3,289 Occupied homes①
Schools	Casta del Sol recreation center
4 preschools	Casta del Sol Golf Course
8 elementary	Elementary school
1 intermediate	Lake Mission Viejo②
Mission Viejo High School	Marguerite Recreation Center
Saddleback Community College	Mission Viejo Elks Club
Mission Viejo Library	Orange County fire station
Mission Community Hospital	2 shopping centers
La Paz Medical/Dental Professional Center	Mission Viejo Equestrian Center
Sierra Recreation Center	Felipe Recreation Center
Montanoso Recreation Center	
Mission Viejo Golf Course	
Mission Viejo Golf Clubhouse	
Mission Viejo Inn and Restaurant	
La Paz Plaza	
Mission Viejo fire station	
Mission Viejo industrial park	
5 shopping centers	

① Occupied dwelling units; includes 144 apartment units.

② Filling temporarily delayed.

Source: Mission Viejo Company.

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new dwelling units were scheduled for occupancy during the last half of 1976. Due to the greatly increased demand for new housing in the entire southern Orange County region, the Mission Viejo Company projects complete build-out of Mission Viejo to be reached in 1986-87, rather than 1990 as originally projected.

In addition to the development located within the District, other units of the overall Mission Viejo community are located in the Moulton-Niguel Water District. The tabulation on the previous page presents an outline of completed development in the entire planned community.

### Home Values

The tabulation opposite presents current basic price ranges for various housing units within Mission Viejo. Recently, demand for new homes has exceeded availability, with the result that the company reports virtually no completed homes to be in inventory.

Based on a special sales survey conducted by Mission Viejo Company in June 1976, which compared

the selling prices of 51 homes sold between December 1975 and May 1976 with their original selling prices (mostly in 1973 and 1974), it reported that the average increase per home was \$19,586, or 49.7% over the average original selling price of \$39,392.

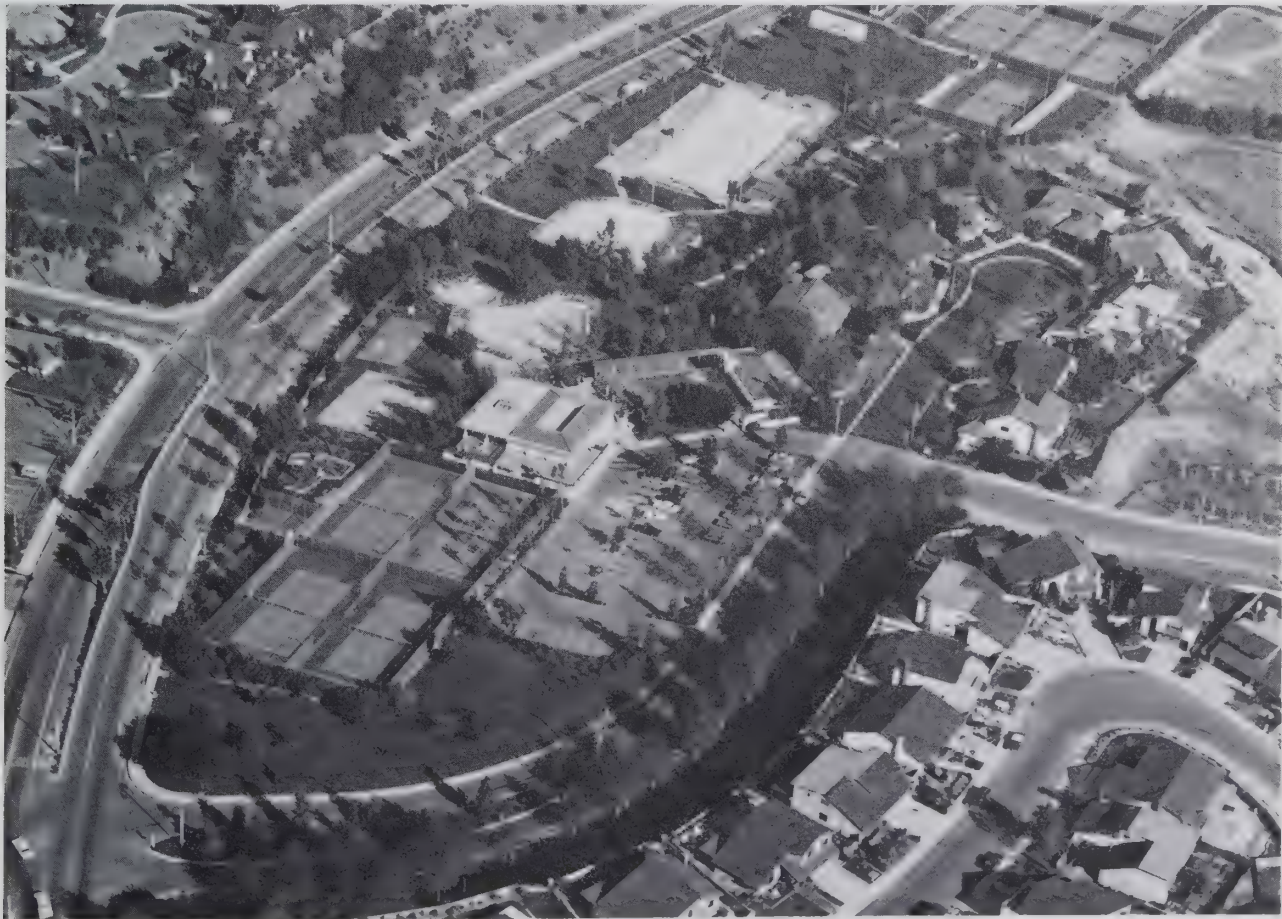
### MISSION VIEJO COMPANY NEW HOME PRICES

Unit	Basic Price Range <sup>①</sup>
Single Family	
Cordova .....	\$43,300 to \$47,500
Castille .....	56,250 to 66,700
Madrid .....	66,495 to 86,495
Townhouses	
Casta del Sol .....	\$60,000 to \$67,500
La Mancha .....	59,500 to 78,950

① Based on most recent sales in the particular unit.

Source: Mission Viejo Company, September 1976.

Aerial view of the Marguerite Recreation Center, located within the District, serving Mission Viejo residents.







Photos of recent development in Mission Viejo:

- ① New dwellings under construction, February 1977;  
 ② Madrid del Lago home;

- ③ La Mancha home; ④ Experimental Cordova home designed to minimize energy requirements using solar panels on roof, special insulation and a computer controlled environment.



## Other Developments

In addition to its principal residential development located within the Santa Margarita Water District, the Mission Viejo Company also has similar projects in Fresno, California and Denver, Colorado. The company is no longer active in a project in Tempe, Arizona.

## Company Financial Data

Being a subsidiary of Philip Morris Incorporated, separate financial statements are not published for Mission Viejo Company. However, the tabulation below presents a history of operating revenues and income for the past five years. Tables 4 and 5 below and on the next page present recent earnings state-

ments and balance sheets for the parent company, which include all subsidiaries.

### MISSION VIEJO COMPANY

#### Revenues and Income

Calendar Year	Operating Revenues	Operating Income
1971 .....	\$37,812,000	\$2,256,000
1972 .....	60,824,000	5,714,000
1973 .....	67,976,000	4,122,000
1974 .....	62,676,000	4,772,000
1975 .....	70,635,000	5,875,000

Source: Philip Morris, Inc. Annual Report 1975.

**Table 4**  
**Philip Morris, Inc.①**  
**Statement of Earnings②**

	1973	1974	1975
Operating revenues .....	\$2,602,498,000	\$3,010,961,000	\$3,642,414,000
Cost of sales:			
Cost of products sold .....	\$1,060,777,000	\$1,290,319,000	\$1,656,839,000
Federal and foreign excise taxes on products sold ....	893,459,000	968,867,000	1,078,403,000
Gross profit .....	\$ 648,262,000	\$ 751,775,000	\$ 907,172,000
Marketing, administration and research costs .....	338,978,000	372,804,000	437,196,000
	\$ 309,284,000	\$ 378,971,000	\$ 469,976,000
Equity in net earnings of unconsolidated foreign subsidiaries and affiliates .....	20,199,000	24,614,000	22,868,000
Operating income of operating companies .....	\$ 329,483,000	\$ 403,585,000	\$ 492,844,000
Corporate expense .....	\$ 21,016,000	\$ 25,292,000	\$ 30,270,000
Interest expense (excluding interest capitalized of \$8,024,000 in 1975, \$9,427,000 in 1974 and \$8,872,000 in 1973) .....	50,993,000	82,741,000	99,045,000
Other deductions (income), net .....	1,865,000	(1,950,000)	2,719,000
Earnings before income taxes .....	\$ 255,609,000	\$ 297,502,000	\$ 360,810,000
Provision for federal and other income taxes:			
Current .....	\$ 100,617,000	\$ 108,858,000	\$ 136,302,000
Deferred .....	6,360,000	13,128,000	12,870,000
	\$ 106,977,000	\$ 121,986,000	\$ 149,172,000
Net earnings .....	\$ 148,632,000	\$ 175,516,000	\$ 211,638,000
Earnings per common share:			
Primary .....	\$2.71	\$3.15	\$3.62
Fully diluted .....	\$2.61	\$3.07	\$3.62

① For parent corporation and consolidated subsidiaries.

② For years ended December 31.

Source: Philip Morris, Inc. Annual Reports for 1973-75.



**Table 5**  
**Philip Morris, Inc.<sup>①</sup>**  
**Balance Sheets<sup>②</sup>**

	1974	1975
<b>ASSETS</b>		
Cash and cash equivalents .....	\$ 61,917,000	\$ 79,251,000
Receivables .....	216,270,000	252,501,000
Inventories:		
Leaf tobacco .....	873,727,000	1,091,984,000
Other raw materials .....	125,233,000	115,873,000
Work in process and finished goods .....	228,909,000	208,111,000
Housing programs under construction .....	41,343,000	32,460,000
	<u>\$1,269,212,000</u>	<u>\$1,448,428,000</u>
Prepaid expenses .....	10,509,000	7,905,000
Total current assets .....	<u>\$1,557,908,000</u>	<u>\$1,788,085,000</u>
Investments in and advances to unconsolidated foreign subsidiaries and affiliates .....	146,439,000	189,523,000
Land and offtract improvements .....	41,213,000	46,223,000
Property, plant and equipment, at cost:		
Land and land improvements .....	38,546,000	46,326,000
Buildings and building equipment .....	264,809,000	330,460,000
Machinery and equipment .....	449,019,000	611,451,000
Construction in progress .....	147,436,000	141,601,000
	<u>\$ 899,810,000</u>	<u>\$1,129,838,000</u>
Less, Accumulated depreciation .....	(240,290,000)	(278,735,000)
Net, property, plant and equipment .....	<u>\$ 659,520,000</u>	<u>\$ 851,103,000</u>
Brands, trademarks, patents and goodwill .....	201,490,000	206,093,000
Long-term receivables .....	27,420,000	31,247,000
Other assets .....	19,273,000	22,052,000
Total Assets .....	<u><u>\$2,653,263,000</u></u>	<u><u>\$3,134,326,000</u></u>
<b>LIABILITIES</b>		
Notes payable .....	\$ 454,068,000	\$ 510,341,000
Current portion of long-term debt .....	16,941,000	15,059,000
Accounts payable and accrued liabilities .....	294,939,000	300,443,000
Federal and other income taxes .....	55,478,000	56,577,000
Dividends payable .....	11,482,000	14,868,000
Total current liabilities .....	<u>\$ 832,908,000</u>	<u>\$ 897,288,000</u>
Long-term debt:		
Senior .....	703,503,000	856,670,000
Subordinated .....	64,800,000	61,200,000
Deferred income taxes .....	67,175,000	70,972,000
Other liabilities .....	10,204,000	20,415,000
Total liabilities .....	<u>\$1,678,590,000</u>	<u>\$1,906,545,000</u>
<b>STOCKHOLDERS' EQUITY</b>		
Cumulative preferred stock, par value \$100 per share .....	\$ 9,679,000	\$ 9,187,000
Common stock, par value \$1 per share .....	57,267,000	59,360,000
Additional paid-in capital .....	195,022,000	289,106,000
Earnings reinvested in the business .....	717,191,000	874,293,000
	<u>\$ 979,159,000</u>	<u>\$1,231,946,000</u>
Less, Cost of treasury stock .....	(4,486,000)	(4,165,000)
Total Stockholders' Equity .....	<u>\$ 974,673,000</u>	<u>\$1,227,781,000</u>
Total Liabilities and Stockholders' Equity .....	<u><u>\$2,653,263,000</u></u>	<u><u>\$3,134,326,000</u></u>

① For parent corporation and consolidated subsidiaries.

② For years ended December 31.

Source: Philip Morris, Inc. Annual Report 1975.



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## FINANCIAL DATA

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### Assessed Valuations

The Santa Margarita Water District uses the facilities of Orange County for the assessment and collection of taxes for District purposes. As a California Water District, the District taxes only land within its boundaries that is subject to taxation. Improvements and personal property are not taxable by the District. Ad valorem taxes are levied against taxable land located within Improvement Districts Nos. 1-S and 1-W on the same basis. District taxes are collected at the same time and on the same tax rolls as are city, county and school district taxes. The California State Board of Equalization reports the 1976/77 Orange County valuations average 24.6 percent of full value except for public utility property, which is reported to be assessed at 25 percent of full cash value by the state.

The tabulation below presents the 1976/77 assessed valuations for the entire district and Improvement Districts Nos. 1-S and 1-W.

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#### **SANTA MARGARITA WATER DISTRICT and IMPROVEMENT DISTRICTS NOS. 1-S and 1-W 1976/77 Assessed Valuation (Land Only)**

Assessment Roll	I.D. Nos. 1-S & 1-W	Entire District
Local Secured .....	\$17,470,630	\$24,012,380
Utility .....	2,360	6,030
Unsecured .....	—	627,430
Total .....	\$17,472,990	\$24,645,840

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Source: Orange County Auditor-Controller.

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The tabulations on page 20 show growth in assessed valuation (land only) since 1971/72 and the 1976/77 assessed valuation of all property (land, improvements and personal property) located within Improvement Districts Nos. 1-S and 1-W. These valuations are before deduction of two types of exemptions (\$1,750 of the assessed valuation of an owner-occupied dwelling and 50 percent of the assessed valuations of business inventories) which do not result in any loss of revenues to local taxing agencies since the State of California reimburses an amount equal to the taxes which would have been payable on such exempt valuations.



**SANTA MARGARITA WATER DISTRICT and  
IMPROVEMENT DISTRICTS NOS. 1-S and 1-W  
Growth in Assessed Valuation (Land Only)**

Fiscal Year	I.D. Nos. 1-S & 1-W	Entire District
1971/72 .....	\$ 1,971,850	\$ 6,641,620
1972/73 .....	3,332,330	8,780,570
1973/74 .....	5,005,790	10,250,810
1974/75 .....	6,829,030	12,925,100
1975/76 .....	10,892,690	17,988,570
1976/77 .....	17,472,990	24,645,840

Source: Orange County Auditor-Controller.

**SANTA MARGARITA WATER DISTRICT  
IMPROVEMENT DISTRICTS NOS. 1-S and 1-W  
1976/77 Assessed Valuations (All Property)**

Roll	Net Assessed Valuation	State- reimbursed Exemptions	Assessed Valuation for Revenue Purposes
Secured ....	\$32,737,315	\$3,704,065	\$36,441,380
Utility .....	629,540	—	629,540
Unsecured .	906,690	121,360	1,028,050
Total ..	\$34,273,545	\$3,825,425	\$38,098,970

Source: Orange County Auditor-Controller.

**Appraised Value**

Land in Improvement Districts Nos. 1-W and 1-S, Mission Viejo, has been appraised in connection with each series of bonds sold by the improvement districts. The tabulation at the top of the next column shows appraised fair market value of land at the time of each sale. A letter from Philip S. Jackson, M.A.I., summarizing the details of the latest appraisal, is included as an appendix to this official statement.

**Tax Rates**

The tax rates for Improvement Districts Nos. 1-S and 1-W have remained constant at \$1.00 and \$2.00 per \$100 of assessed valuation on land only, respectively, since 1972/73. These rates are the maximum allowable under California statutory tax rate limitations, other than to meet debt service on voter-approved general obligation bonds.

**SANTA MARGARITA WATER DISTRICT  
IMPROVEMENT DISTRICTS NOS. 1-W and 1-S  
History of Fair Market Value of  
Raw Acreage and Land Improvements\***

Valuation Year	Fair Market Value	Appraisal Consultant
1968 .	\$ 11,500,000	George Hamilton Jones, M.A.I.
1970 .	14,650,000	George Hamilton Jones, M.A.I.
1972 .	24,700,000	George Hamilton Jones, M.A.I.
1974 .	60,000,000	Cedric A. White, Jr., M.A.I.
1976 .	146,000,000	Philip S. Jackson, M.A.I.

\*Land improvements consist only of site improvement costs.

However, as noted previously, the District Board of Directors have adopted a revenue policy whereby all sewerage and water system expenditures, including bond service, will be met from water sales and sewer service charges; property taxes not to exceed a rate of \$1.00 and \$2.00 per \$100 assessed valuation of land only, respectively; standby charges; connection fees; and acreage assessments on undeveloped lands. Therefore, under this policy, the current tax rates for Improvement Districts 1-S and 1-W would not be raised to meet bond service on the bonds presently offered.

A total of 12 tax rate areas were established within Improvement Districts Nos. 1-S and 1-W for the 1976/77 fiscal year. The two largest, tax rate areas 82-065 and 82-079, have a 1976/77 assessed valuation of land only of \$9,687,510 and \$3,059,140, respectively, or about 73 percent of each Improvement District's total. The tabulation on the next page presents the total tax rates applying to these tax rate areas in 1976/77.

It is noted the tax rates shown in the tabulation are levied on all property, on land and improvements only, and on land only, depending on the nature of the taxing entity. This results in a homeowner's annual tax bill being somewhat less than the total tax rate would indicate. For example, assuming a \$50,000 market value home (\$16,000 land and \$34,000 improvements and personal property) and a \$1,750 homeowners' exemption, the taxable assessed value of the home would be \$10,750. Applied to the total tax rate in tax rate area 82-079 of \$12.5678



per \$100 assessed valuation, the tax bill would be \$1,351.03. However, since \$3.50 of the total rate is levied on land only, the actual tax bill for the \$50,000 home would be \$1,114.79. This results in an effective tax rate of \$10.3701 for the homeowner.

## IMPROVEMENT DISTRICTS NOS. 1-S and 1-W

### SANTA MARGARITA WATER DISTRICT

#### 1976/77 Tax Rates/\$100 A.V.

#### Tax Rate Areas 82-065 and 82-079

	Tax Rate Area 82-065	Tax Rate Area 82-079
Orange County .....	\$ 1.4300	\$ 1.4300
County Library .....	.1356	.1356
Schools .....	6.0026	6.0026
Fire Protection District .....	.3820	.3820
Flood Control District .....	.1872	.1872
County Service Areas .....	.4354	.4354
Metropolitan Water District ...	.2400	.2400
Other special districts .....	.2550	.2550
Subtotal① .....	\$ 9.0678	\$ 9.0678
Lighting Maintenance District..	.1533	—
Subtotal② .....	.1533	—
Santa Margarita Water District	.5000	.5000
SMWD-I.D. 1-S .....	1.0000	1.0000
SMWD-I.D. 1-W .....	2.0000	2.0000
Subtotal③ .....	\$ 3.5000	\$ 3.5000
Total .....	\$12.7211	\$12.5678

① Levied on all property.

② Levied on land and improvements only.

③ Levied on land only.

Source: Orange County Auditor-Controller.

## Tax Levies and Delinquencies

Taxes on the local secured and utility rolls are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively.

The tabulations opposite present the amounts of secured taxes levied for Improvement Districts Nos. 1-S and 1-W for the period 1971/72-1975/76, with the amount and percent of current taxes delinquent on June 30 of each year.

## IMPROVEMENT DISTRICT NO. 1-S

### SANTA MARGARITA WATER DISTRICT

#### Secured Tax Levies and Delinquencies

Fiscal Year	Secured Levy	Amount Delinquent June 30	Percent Delinquent June 30
1971/72 .....	\$202,268	\$ 0	—%
1972/73 .....	33,323	0	—
1973/74 .....	49,576	74	.02
1974/75 .....	66,924	293	.44
1975/76 .....	108,052	649	.60

Source: Orange County Auditor-Controller.

## IMPROVEMENT DISTRICT NO. 1-W

### SANTA MARGARITA WATER DISTRICT

#### Secured Tax Levies and Delinquencies

Fiscal Year	Secured Levy	Amount Delinquent June 30	Percent Delinquent June 30
1971/72 .....	\$ 0	\$ 0	—%
1972/73 .....	66,647	0	—
1973/74 .....	99,155	147	.02
1974/75 .....	133,848	586	.44
1975/76 .....	216,104	1,298	.60

Source: Orange County Auditor-Controller.

## Major Taxpayers

Orange County does not compile a list of the principal ad valorem taxpayers in each particular taxing entity within the county.

However, as the owner of the most land, the principal ad valorem taxpayer in the two improvement districts is Mission Viejo Company. County records indicate this firm paid a total of \$125,958 in 1975/76, or 39 percent of the total secured levy for the two improvement districts. It is noted that these are taxes levied against and paid on the assessed valuation of land only.

## Retirement System

Employees of the District participate in a defined-benefit pension plan which is administered in accordance with a contract between the District and the State of California Public Employees' Retirement System (PERS). PERS is a statewide system operated pursuant to Title 2, Division 5, Part 3 of the Government Code. State law requires that PERS



undergo actuarial review not less often than every fourth year. Benefit Technology (formerly Actuarial Systems, Inc.), independent actuaries and consultants, completed the last outside review of PERS' actuarial experience for the four-year period ending June 30, 1973. The most recently made actuarial valuation of the system, as of June 30, 1975, was made by the State's Actuarial Division. The report identified an "unfunded supplemental liability" of \$1,271,956,710, as of June 30, 1975, for the local miscellaneous employees group, which would include employees of the District. The "unfunded supplemental liability" for all other member groups (State Miscellaneous, State Safety, Highway Patrol, Local Safety and County Schools), as of June 30, 1975, was \$5,822,022,351. The report includes a discussion of new actuarial assumptions to provide for amortization of unfunded liabilities in the various member groups, within PERS. Additional information is available from State of California Public Employees' Retirement System, 1416 Ninth Street, Sacramento, California 95814.

State law provides that, when rendered necessary by changes in benefits or by periodic actuarial review, PERS may modify the amounts of annual pension contributions by agencies contracting with it.

According to the District's preliminary financial report for fiscal 1975/76, the total pension expense for the District's 17 employees for that year was \$13,473. Pension costs are funded by monthly contributions to PERS. The excess, if any, of the actuarially computed value of vested benefits over the amounts available in the pension fund was not determined as of June 30, 1976.

## **Insurance in Effect**

As of October 1, 1976, the District had in effect the following insurance coverage: Bodily injury, property damage and auto fleet—\$500,000; Honesty blanket bond—\$500,000; Comprehensive on buildings, equipment and other items ranging from \$21,000 to \$946,000, depending on item insured; an umbrella excess liability coverage of \$9,500,000 for each occurrence; and a \$5,000,000 excess liability policy over and above the base \$10,000,000 coverage.

## **Income, Expenses and Balance Sheet**

Tables 6 through 8 on pages 24-26 present five-year summaries of income and expenses for Improvement Districts Nos. 1-S and 1-W and the entire

District since 1971/72. The figures are extracted from the District's annual audit reports, except for 1975/76 which are unaudited District figures. The 1975/76 audit is in process. The District has had independent outside audits of its financial affairs since its founding in 1964.

The District uses a modified accrual enterprise method of accounting, as required by the California State Controller. In general, income is recorded when earned and expenses are recorded upon incurrence of liability.

Table 9 on page 27 presents June 30, 1976 balance sheets for both improvement districts and the entire District, including fund balances, based on year-end figures compiled by the District.

## **Direct and Overlapping Bonded Debt**

As of the sale date of the Bonds currently offered, Improvement Districts Nos. 1-S and 1-W will have a combined total of \$33,900,000 outstanding general obligation bonds. These bonds have been and will be used to finance sewerage and water system improvements within the two improvement districts. There are no outstanding revenue bonds. The tabulation on the next page summarizes the various issues outstanding. Table 10 on page 28 presents the two improvement districts' direct and estimated overlapping bonded debt.

## **Other Debt Obligations**

In addition to outstanding general obligation bonds, the District reports a number of other obligations, as outlined in the following paragraphs.

The first of these are two notes payable in Improvement District 1-W for water capacity rights. One is payable to the Municipal Water District of Orange County for capacity rights in the East Orange County Feeder No. 2. Of the original \$1,134,514, \$378,171 is outstanding. The other note is also payable to the Municipal Water District of Orange County for an option to buy capacity rights in the Audfenkamp Transmission Main. Of the original \$341,065, \$113,688 is outstanding. Both of these notes will be paid, plus accrued interest, from proceeds of the Series D Water Bonds currently offered.

The second obligation is a \$2,281,000 construction advance by the Mission Viejo Company to finance certain sewer system improvements. This also will be repaid from Series C Sewer Bond proceeds.



The third obligation is a \$1,500,000 line of credit for construction advances by the Mission Viejo Company to finance certain water system improvements that will go to construction before sale of Series D Water Bonds. This will be repaid from Series D Water Bond proceeds.

The District leases its general office, a field office and two office machines. The total rent due on all four leases in both 1976/77 and 1977/78 is \$22,310. In 1978/79, the total declines to \$9,133.

The District also has a letter of credit for \$328,040 from Mission Viejo Company and a \$353,960 certificate of deposit from Rancho Mission Viejo. These funds are being utilized to oversize the Audfenkamp connection transmission main and were paid to the District to purchase capacity rights in the main in the amount allowed by the oversizing. The District will repay this \$682,000 at such time that it would need the capacity afforded by the oversized line for future development within the District. This is anticipated at the present time to occur in 1981.

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**IMPROVEMENT DISTRICTS NOS. 1-S and 1-W**  
**SANTA MARGARITA WATER DISTRICT**  
**Outstanding General Obligation Bonds**

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Original Issue	Date	Final Maturity	Outstanding April 21, 1977
I.D. 1-S (Sewer):			
\$ 1,900,000 .....	10/ 1/68	1997	\$ 1,775,000
1,100,000 .....	2/15/72	1997	1,000,000
13,700,000* .....	3/ 1/77	2003	<u>13,700,000*</u>
Total, I.D. 1-S .....			\$16,475,000
I.D. 1-W (Water):			
\$1,600,000 .....	10/ 1/68	1997	\$ 1,475,000
3,100,000 .....	12/ 1/72	1996	2,800,000
7,000,000 .....	3/ 1/75	2000	6,900,000
6,250,000* .....	3/ 1/77	2003	<u>6,250,000*</u>
Total, I.D. 1-W .....			<u>\$17,425,000</u>
Grand Total, I.D.s 1-S & 1-W .....			<u><u>\$33,900,000</u></u>

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\*To be sold April 21, 1977.

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Table 6

**IMPROVEMENT DISTRICT NO. 1-S**  
**SANTA MARGARITA WATER DISTRICT**  
**Income and Expenses**

	1971/72 <sup>①</sup>	1972/73 <sup>①</sup>	1973/74 <sup>①</sup>	1974/75 <sup>①</sup>	1975/76 <sup>②</sup>
<b>OPERATING INCOME:</b>					
Sanitation charges .....	\$ —	\$ 2,797	\$ 36,913	\$ 74,780	\$ 122,091
Capacity sales .....	1,088	—	—	—	—
Other .....	—	610	19,758	17,630	34,980
Total operating income .....	\$ 1,088	\$ 3,407	\$ 56,671	\$ 92,410	\$ 157,071
<b>OPERATING EXPENSES:</b>					
Salaries .....	\$ —	\$ —	\$ 11,466	\$ 22,970	\$ 29,129
Power .....	—	—	9,224	2,504	2,628
Maintenance and operation .....	—	—	7,069	31,763	98,960
General and administrative .....	1,729	7,044	50,556	66,543	120,357
Other operations .....	—	—	6,386	4,232	—
Depreciation .....	—	29,657	80,591	77,261	100,742
Total operating expenses .....	\$ 1,729	\$ 36,701	\$ 165,292	\$ 205,273	\$ 351,816
Net operating income (loss) ..	\$ (641)	\$ (33,294)	\$ (108,621)	\$ (112,863)	\$ (194,745)
<b>NON-OPERATING INCOME:</b>					
Property taxes .....	\$202,015	\$ 33,323	\$ 49,722	\$ 234,704	\$ 108,074
Interest income .....	76,842	48,420	28,140	26,089	20,219
Connection fees .....	—	13,200	54,800	24,250	101,850
Contributions for construction .....	1,824	116,450	145,292	413,500	519,766
Grants .....	—	—	165,862	—	—
Prior years and other <sup>③</sup> .....	—	480	1,910	311	—
Total non-operating income ....	\$280,681	\$211,873	\$ 445,726	\$ 698,854	\$ 749,909
<b>NON-OPERATING EXPENSES:</b>					
Interest expense .....	\$111,438	\$111,438	\$ 100,255	\$ 169,569	\$ 211,719
Amortization of bond issuance costs ..	4,307	5,467	5,396	5,366	5,072
Prior years and other .....	—	—	—	(23,884)	1,339
Total non-operating expenses ...	\$115,745	\$116,905	\$ 105,651	\$ 151,051	\$ 218,130
<b>NET INCOME (LOSS) .....</b>	<b>\$164,295</b>	<b>\$ 61,674</b>	<b>\$ 231,454</b>	<b>\$ 434,940</b>	<b>\$ 337,034</b>

① Extracted from District audits by Hanson, Peterson, Cowles & Sylvester, CPA's (1971/72-1973/74); Delmer L. Sylvester, CPA (1974/75); copies on file at District office.

② Preliminary figures reported by District.

③ Includes permits and inspection fees.



Table 7

**IMPROVEMENT DISTRICT NO. 1-W**  
**SANTA MARGARITA WATER DISTRICT**

**Income and Expenses**

	1971/72 <sup>①</sup>	1972/73 <sup>①</sup>	1973/74 <sup>①</sup>	1974/75 <sup>①</sup>	1975/76 <sup>②</sup>
<b>OPERATING INCOME:</b>					
Water sales .....	\$ —	\$ 21,670	\$ 108,862	\$ 282,845	\$ 562,486
Meters .....	—	—	80,699	42,656	85,884
Other .....	1,172	10,165	40,338	24,531	57,460
Total operating income .....	\$ 1,172	\$ 31,835	\$ 229,899	\$ 350,032	\$ 705,830
<b>OPERATING EXPENSES:</b>					
Water purchases .....	\$ —	\$ 15,595	\$ 70,808	\$ 117,898	\$ 220,452
Capacity rights .....	—	44,531	33,804	33,804	33,804
Meter purchases .....	—	—	65,555	27,131	66,893
Salaries .....	—	—	11,466	22,970	29,129
Power .....	—	5,809	11,569	55,226	95,488
Maintenance and operation .....	4,855	3,278	15,067	24,730	31,237
General and administrative .....	—	15,750	47,548	64,577	117,412
Other operations .....	—	699	2,360	5,661	—
Depreciation .....	21,944	39,851	74,172	94,153	128,233
Total operating expenses .....	\$ 26,799	\$125,513	\$ 332,349	\$ 446,150	\$ 722,648
Net operating income (loss) ....	\$ (25,627)	\$ (93,678)	\$ (102,450)	\$ (96,118)	\$ (16,818)
<b>NON-OPERATING INCOME:</b>					
Property taxes <sup>③</sup> .....	\$ —	\$ 66,647	\$ 280,374	\$ 146,080	\$ 447,363
Interest income .....	64,832	78,439	182,058	277,255	359,753
Connection fees .....	—	13,818	54,760	24,390	102,280
Contributions for construction .....	1,084	123,300	202,227	608,100	790,217
Prior years and other <sup>④</sup> .....	—	—	—	403	—
Total non-operating income .....	\$ 65,916	\$282,204	\$ 719,419	\$1,056,228	\$1,699,613
<b>NON-OPERATING EXPENSES:</b>					
Interest expense .....	\$ 93,938	\$196,291	\$ 195,041	\$ 172,690	\$ 319,154
Amortization of bond issuance costs ....	3,021	6,679	9,320	8,361	12,632
Prior years and other .....	—	4,778	5,462	(105,051)	1,296
Total non-operating expenses .....	\$ 96,959	\$207,748	\$ 209,823	\$ 76,000	\$ 333,082
<b>NET INCOME (Loss) .....</b>	<b>\$ (56,670)</b>	<b>\$ (19,222)</b>	<b>\$ 407,146</b>	<b>\$ 884,110</b>	<b>\$1,349,713</b>

① Extracted from District audits by Hanson, Peterson, Cowles & Sylvester, CPA's (1971/72-1973/74); Delmer L. Sylvester, CPA (1974/75); copies on file at District office.

② Preliminary figures reported by District.

③ Includes acreage assessments.

④ Includes permits and inspection fees.



Table 8

## SANTA MARGARITA WATER DISTRICT

Income and Expenses<sup>①</sup>

	1971/72 <sup>②</sup>	1972/73 <sup>②</sup>	1973/74 <sup>②</sup>	1974/75 <sup>②</sup>	1975/76 <sup>③</sup>
OPERATING INCOME:					
Water sales and sanitation charges . . .	\$ 30,250	\$ 43,940	\$ 161,504	\$ 377,981	\$ 685,136
Capacity sales . . . . .	34,610	20,000	20,000	20,000	20,000
Meters . . . . .	—	—	80,699	42,656	85,884
Other . . . . .	—	10,787	60,096	42,161	92,440
Total operating income . . . . .	\$ 64,860	\$ 74,727	\$ 322,299	\$ 482,798	\$ 883,460
OPERATING EXPENSES:					
Water purchases . . . . .	\$ 30,250	\$ 35,068	\$ 86,537	\$ 138,254	\$ 220,452
Capacity purchases/rights . . . . .	32,350	64,531	53,804	53,804	53,804
Meter purchases . . . . .	—	—	65,555	27,131	67,352
Salaries . . . . .	—	—	22,932	45,940	64,150
Power . . . . .	—	5,809	20,793	57,730	98,118
Maintenance and operation . . . . .	4,855	3,278	22,136	56,493	131,828
General and administrative . . . . .	30,911	72,573	141,832	178,028	315,151
Other operations . . . . .	—	699	13,656	11,796	—
Depreciation . . . . .	33,647	86,033	174,006	193,101	252,318
Total operating expenses . . . . .	\$132,013	\$ 267,991	\$ 601,251	\$ 762,277	\$1,203,173
Net operating income (loss) . .	\$ (67,153)	\$ (193,264)	\$ (278,952)	\$ (279,479)	\$ (319,713)
NON-OPERATING INCOME:					
Property taxes <sup>④</sup> . . . . .	\$221,854	\$ 150,421	\$ 330,096	\$ 469,296	\$ 678,912
Interest income . . . . .	142,026	127,055	260,896	304,586	380,134
Connection fees . . . . .	—	27,018	110,000	48,640	227,986
Contributions for construction . . . . .	2,908	239,750	347,519	1,021,600	1,309,983
Grants . . . . .	—	—	165,862	—	—
Prior years and other <sup>⑤</sup> . . . . .	—	480	5,999	714	—
Total operating income . . . . .	\$366,788	\$ 544,724	\$1,220,372	\$1,844,836	\$2,597,015
NON-OPERATING EXPENSES:					
Interest expense . . . . .	\$205,376	\$ 307,729	\$ 295,596	\$ 342,259	\$ 530,873
Amortization of bond issuance costs . .	7,328	12,146	14,716	13,727	17,704
Prior years and other . . . . .	—	5,617	5,462	(123,025)	3,505
Total non-operating expenses . . .	\$212,704	\$ 325,492	\$ 315,774	\$ 232,961	\$ 552,082
NET INCOME . . . . .	\$ 86,931	\$ 25,968	\$ 625,646	\$1,332,396	\$1,725,220

① Includes entire District (overall plus all improvement districts).

② Extracted from District audits by Hanson, Peterson, Cowles & Sylvester, CPA's (1971/72-1973/74); Delmer L. Sylvester, CPA (1974/75); copies on file at District office.

③ Preliminary figures reported by District.

④ Includes acreage assessments.

⑤ Includes permits and connection fees.



**Table 9**  
**SANTA MARGARITA WATER DISTRICT**  
**Balance Sheet as of June 30, 1976<sup>①</sup>**

	Improvement District No. 1-S	Improvement District No. 1-W	Entire District <sup>②</sup>
<b>ASSETS</b>			
Plant, less depreciation .....	\$5,399,993	\$ 9,452,925	\$15,449,839
Restricted Assets:			
Cash .....	(138,166)	111,774	(26,392)
Temporary investments .....	227,000	4,964,769	5,191,769
Accrued interest receivable .....	610	29,587	30,197
Deposits .....	—	682,000	682,000
Subtotal, Restricted Assets .....	\$ 89,444	\$ 5,788,130	\$ 5,877,574
Current Assets:			
Cash .....	\$ 88,826	\$ 85,122	\$ 194,311
Accounts receivable, trade .....	127,990	230,023	358,205
Taxes receivable .....	1,223	2,560	4,481
Other accounts receivable .....	21,447	13,274	48,678
Meter and fuel inventories .....	—	1,691	3,257
Deposits .....	1,956	2,606	6,244
Prepaid expenses .....	—	—	17,140
Subtotal, Current Assets .....	\$ 241,442	\$ 335,276	\$ 632,316
Other Assets:			
Bond issuance costs .....	\$ 103,623	\$ 256,997	\$ 360,620
Less amortization .....	(35,500)	(48,321)	(83,821)
Subtotal, Other Assets .....	\$ 68,123	\$ 208,676	\$ 276,799
<b>TOTAL ASSETS</b> .....	<b>\$5,799,002</b>	<b>\$15,785,007</b>	<b>\$22,236,528</b>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>			
Long-term Debt:	\$2,830,000	\$11,881,859	\$14,711,859
Less: portion due by June 30, 1977 .....	(55,000)	(215,000)	(270,000)
Net Long-term Debt .....	\$2,775,000	\$11,666,859	\$14,441,859
Current Liabilities:			
Accounts payable .....	57,429	537,541	617,323
Construction contracts payable .....	21,907	29,266	51,173
Long-term debt due by June 30, 1977 .....	55,000	215,000	270,000
Accrued interest payable .....	133,807	209,640	343,447
Meter and other deposits .....	—	5,600	17,600
Subtotal, Current Liabilities .....	\$ 268,143	\$ 997,047	\$ 1,299,543
Advances .....	\$1,010,000	\$ 682,000	\$ 1,692,000
Reserves and Fund Balances:			
Bond reserve funds .....	\$ 227,000	\$ 792,000	\$ 1,019,000
Contributed utility plant .....	1,195,008	1,723,844	3,554,367
Fund balances (deficit) .....	323,851	(76,743)	229,759
Subtotal, Reserves and Fund Balances .....	\$1,745,859	\$ 2,439,101	\$ 4,803,126
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b> .....	<b>\$5,799,002</b>	<b>\$15,785,007</b>	<b>\$22,236,528</b>

① Source: Preliminary figures reported by District.

② Includes all improvement districts (1-S, 1-W, 2-S, 2-W) and overall District.

③ Includes unbilled receivables in ID 1-W of \$216,834 and in ID 1-S of \$127,100. These consist of connection charges to Mission Viejo Company which were billed in August 1976 and fully paid on September 24, 1976.



Table 10

**SANTA MARGARITA WATER DISTRICT**  
**IMPROVEMENT DISTRICTS NOS. 1-S and 1-W**  
**Direct and Estimated Overlapping Bonded Debt**

Estimated Population (January 1977) .....	11,512 <sup>①</sup>	
1976/77 Assessed Valuation:		
Land only .....	\$ 17,472,990	
All rolls .....	38,098,970	
Estimated Market Value:		
Land only per assessor .....	\$ 71,109,756	
Land only per appraisal .....	146,000,000	
All property per assessor .....	154,831,008 <sup>②</sup>	

Entity	Percent Applicable <sup>③</sup>	Debt Applicable April 21, 1977 <sup>④</sup>
Orange County .....	0.455%	\$ 18,177
Orange County Flood Control District .....	0.455	94,663
Metropolitan Water District .....	0.085	457,048
Capistrano Unified School District .....	7.694-7.801	2,770,893
Saddleback Valley Unified School District .....	0.436	116,848
San Joaquin School District .....	0.183-0.264	29,216
Tustin Unified School District .....	0.125-0.169	11,754
Saddleback Community College District .....	2.280	144,894
Santa Margarita Water District, I.D. No. 1-S .....	100.	16,475,000 <sup>⑤</sup>
Santa Margarita Water District, I.D. No. 1-W .....	100.	17,425,000 <sup>⑥</sup>
<b>TOTAL DIRECT AND OVERLAPPING BONDED DEBT .....</b>		<b>\$37,543,493</b>

	Ratio to		Estimated Market Value <sup>⑦</sup>	Per Capita
	1976/77 Assessed Valuation			
	Land Only	All Property		
Direct Debt (1-S only) .....	94.18%	43.24%	11.28%	\$1,433
Direct Debt (1-W only) .....	99.72	45.74	11.93	1,515
Direct Debt (1-S + 1-W) .....	194.01	88.98	23.22	2,948
Total Debt .....	214.87	98.54	25.71	3,265

① Source: Mission Viejo Company.

② The State Board of Equalization reported 1976/77 Orange County assessed valuations average 24.6 percent of full value except for public utility property which was reportedly assessed at 25 percent of full value.

③ Source: California Municipal Statistics, Inc., San Francisco, California.

④ Excludes revenue bonds and District's share of county authority and lease-purchase obligations (\$119,873). Excludes sales and repayments, if any, between March 21 and April 21, 1977.

⑤ Includes \$13,700,000 to be sold April 21, 1977.

⑥ Includes \$6,250,000 to be sold April 21, 1977.

⑦ Land only, based on appraisal by Philip S. Jackson, M.A.I., 1976.

**Share of Authorized and Unsold Bonds**

Capistrano Unified School District ..	\$ 27,304	Santa Margarita Water District, I.D.
Metropolitan Water District .....	310,250	No. 1-S .....
Saddleback Valley Unified School Dis-		Santa Margarita Water District, I.D.
trict .....	1,918	No. 1-W .....
		13,550,000



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# ECONOMY OF THE DISTRICT

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## Geography

The Santa Margarita Water District covers an area of approximately 99 square miles in southern Orange County, about 20 miles southeast of Santa Ana, the county seat and 55 miles southeast of Los Angeles. The climate of the District is typical of the coastal plain of Southern California, being mild and relatively uniform. Median temperatures recorded at the nearby El Toro Marine Corps Air Station range from a high of 71.7 degrees in July to a low of 54.2 degrees in December. Rainfall is generally confined to the period between November and March. The proximity of the District to the ocean and the prevailing wind patterns combine to produce relatively smog-free conditions.

The District is served by Interstate 5, the major north-south freeway on the west coast, thus providing access from the District to the entire Southern California region and beyond.

## Population and Development

Orange County is the second most populous county in California, ranking second to Los Angeles County. The State Department of Finance estimated total county population to be 1,749,900 as of July 1976. This is an increase of 65,400 since January 1975 and 329,514 since the 1970 Federal Census. The county continues as one of the fastest growing urban areas in the nation and growth is principally occurring in the southern portion of the county, which includes the Santa Margarita Water District.

Mission Viejo began in 1966 as a totally planned community. The portion of Mission Viejo located within the Santa Margarita Water District comprises that District's Improvement Districts Nos. 1-S and 1-W. The tabulation at the top of the column opposite summarizes population growth within Orange County and the Santa Margarita Water District.

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## SANTA MARGARITA WATER DISTRICT ORANGE COUNTY Population Growth

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Year	Entire District	I.D.s Nos. 1-S & 1-W	Orange County
1950 .....	①	①	216,224②
1960 .....	①	①	703,925②
1970 .....	nil ③	nil ③	1,420,386②
1976 .....	13,000③	11,512③	1,749,900④

① District formed in 1964.

② U.S. Census.

③ Mission Viejo Company estimates.

④ State Department of Finance, July estimate.

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Land development and building activity within the District is discussed in detail in the previous sections of this official statement entitled "District Organization and Facilities" and "Mission Viejo".

## Employment and Income

Residents of the District find employment throughout Orange County and also in the Los Angeles Metropolitan Area, although a recent survey by the Mission Viejo Company disclosed that the great majority of District residents are employed in Orange County. In 1963, Orange County was designated the Anaheim-Santa Ana-Garden Grove Standard Metropolitan Statistical Area. Employment statistics are compiled only for the entire Orange County Area. Employment data as of July 1976 and July 1975 for the Orange County Labor Market, as compiled by the State Employment Development Department, is presented in the first tabulation on the next page.

As shown in that tabulation, manufacturing, trade and services are the three major categories of employment, comprising two-thirds of all jobs. Governmental employment is also a major factor in the Orange County labor market.

The second tabulation on the next page presents a comparison of personal income by source in Orange County, as reported by the State Department of Finance for 1960 and for 1973, the latest year for which detailed statistics are available.

As indicated, wages and salaries account for more than two-thirds of total personal income, with property income the next most important category in the county.



## ORANGE COUNTY LABOR MARKET

### Employment by Industry

Industry	July 1975	July 1976
Agriculture .....	8,700	7,800
Mining .....	2,200	2,200
Construction .....	23,300	25,700
Manufacturing .....	151,200	157,500
Transportation, communication and utilities .....	17,700	18,700
Wholesale and retail trade ....	145,000	155,900
Finance, insurance and real estate .....	31,500	33,000
Services .....	113,300	119,100
Federal government .....	8,800	8,500
State and local government ....	77,600	81,500
Total .....	579,300	609,900
Seasonally adjusted unemployment rate .....	7.8%	6.8%

Source: State Employment Development Department.

## ORANGE COUNTY

### Personal Income by Source\*

(000's Omitted)

	1960	1973
Wages and Salaries .....	\$1,168,543	\$4,823,703
Other Labor Income ....	51,597	294,634
Proprietors' Income .....	176,184	365,660
Property Income .....	235,412	1,264,000
Transfer Payments .....	108,862	820,280
Total .....	\$1,740,598	\$7,568,277

\*Adjusted for contributions to social insurance and residence.

Source: State Department of Finance.

Orange County is ranked seventh in the nation in effective buying income (\$9.95 billion) in the 1976 Survey of Buying Power prepared by Sales Management Magazine. The median household effective buying income in the county was reported to be \$15,250 in the same survey.

### Industry

Orange County had, as of June 1976, a total of 62 industrial parks, according to a survey conducted by First American Title Company. The county has over

33,000 acres zoned for industrial use, of which about half is presently undeveloped. The State Employment Development Department reported there were over 3,000 manufacturing firms in the county in 1974.

The Irvine Industrial Complex, comprising 6,400 acres, is located about 15 miles northeast of the Santa Margarita Water District. Over 400 industrial firms have located in the complex, including Beckman Instruments, Collins Radio Corporation, Parker-Hannifin Company, Berteau Corporation, Varian Data Machines, Allergan Pharmaceuticals and Xerox Corporation.

The largest plant in the complex is the recently completed corporate headquarters of Fluor Corporation. About 5,500 employees will initially occupy the facility with an ultimate number of 8,500.

A 2,000-acre expansion of the complex, Irvine Industrial Complex II, is currently under development. The entire complex is served by the Orange County Airport, railroads and freeways, providing ready access to virtually any point in the nation and abroad.

Located just to the west of the District is the Mission Viejo Industrial Park, comprising 90 acres, and the adjacent 54-acre computer plant of Burroughs, Incorporated.

Table 11 on page 32 lists major industrial employers within Orange County. Other large employers within the county include Federal, State and local governments, University of California at Irvine, California State University at Fullerton, various school districts, hospitals, utilities, shopping centers, Disneyland and Knott's Berry Farm.

### Commerce

Commercial development in the Mission Viejo area is planned around individual neighborhoods. Several neighborhood shopping centers have been recently constructed. Two Safeway Markets, an Alpha Beta food market, a Ralph's and a Thriftmart Supermarket are now open in Mission Viejo neighborhoods. Businesses represented include Bank of America, Security Pacific National Bank, United California Bank, Crown Drug Co., Allstate Insurance Co., Keystone Savings & Loan, Union Federal Savings & Loan, several specialty stores and a theater. There is also a Holiday Inn and a number of restaurants, principally around the intersection of La Paz Road and Interstate 5. Overall, Mission Viejo currently has over 350 businesses occupying over 1.5 million square feet.



Mission Viejo Auto Plaza, developed on 70 acres of land adjacent to Interstate 5, is an automobile sales and service facility. The center includes sites for domestic and foreign dealerships, office space, auto accessories, and service facilities. Presently in operation are Toyota, Volvo, Mercedes-Benz and Fiat, BMW, automobile and Honda motorcycle dealerships. An undeveloped site is owned by Chrysler-Plymouth.

Orange County has 15 major shopping centers plus one under construction. These are regional centers, mostly covered malls, that have a wide range of stores including both those of major department chains and individual specialty shops. The major shopping centers closest to the District are listed in the next paragraph.

Fashion Island, in Newport Beach, is a regional shopping center for central and southern Orange County. About 15 miles from Mission Viejo, Fashion Island contains four major department stores, and 56 specialty shops and restaurants. South Coast Plaza in Costa Mesa, Laguna Hills Mall in Laguna Hills, and Bullock's Fashion Square in Santa Ana are other nearby shopping centers.

Construction is scheduled to begin on the Mission Viejo Regional Shopping Center in January 1977. This center, located along Interstate 5 adjacent to the District, will provide three major department

stores, a wide range of shops, restaurants and other commercial outlets in 750,000 square feet of floor space.

In addition, the Irvine Company recently announced plans for a \$300 million commercial and office complex to be located about five miles northwest of Mission Viejo. The first phase, to be opened in 1979, will comprise 470 acres and include five department stores, more than 100 specialty shops, a hotel and other facilities.

The tabulation below presents a summary of taxable sales transactions in Orange County since 1971, as reported by the State Board of Equalization.

### ORANGE COUNTY Taxable Transactions

Year	Outlets July 1	Taxable Transactions
1971 .....	29,336	\$3,263,344,000
1972 .....	31,349	3,931,107,000
1973 .....	33,308	4,701,633,000
1974 .....	36,485	5,210,519,000
1975 .....	40,448	5,751,433,000
1976 (9 mos.) ....	44,816	4,998,162,000

Source: State Board of Equalization.

Planned Mission Viejo regional shopping center, opening Fall 1978. While not located in the Santa Margarita Water District, the center will serve the entire Mission Viejo community.





Table 11

## ORANGE COUNTY MAJOR INDUSTRIAL EMPLOYERS

Firm	Principal Product	Employees
Rockwell International, Autonetics Div.	Electronic systems	9,000
Hughes Aircraft Co., GSG	Radar systems	5,217
McDonnell-Douglas Astronautics	Space systems	5,000
Beckman Instruments, Inc.	Instrumentation	3,400
Northrop Corp.	Aerospace electronics	2,865
Aeronutronic Ford Corp.	Aerospace	2,000
ITT Cannon Electric	Electrical connectors	1,800
Collins Radio Corp.	Communication systems	1,675
Hunt-Wesson Foods	Food products	1,625
Hughes, Micro Electronics Div.	Micro electronics	1,600
McGaw Laboratories	Intravenous sets	1,600
Smith Tool	Oil drilling tools	1,600
California Computer Products, Inc.	Disk drives	1,333
Interstate Electronics Corp.	Missile instrumentation	1,300
Executive Industries	Motor homes	1,200
Aerojet General Corp.	Nuclear reactors	1,110
Parker Hannifin Co.	Missile components	1,100
Bertea Corporation	Hydraulic valves	1,080
Emhart Corp., Kwikset Div.	Hardware	1,050
Kirkhill Rubber Co.	Rubber products	1,000
Rockwell International, Space Div.	Aerospace	1,000
AMF Voit Inc.	Sporting goods	950
Royal Industries	Nuclear reactors	906
Microdata Corp.	Mini-computers	850
Altec, Div. of Altec Corp.	Electronic equipment	800
General Automation, Inc.	Mini-computers	800
Standard Pressed Steel Co.	Precision fasteners	800
Burroughs Corp.	Computer systems	745
MSI Data Corp.	Field entry equipment	740
Esterline Electronics Corp.	Electronics	700
Freedom Newspapers Inc.	Publishers	700
Kimberly-Clark Corp.	Paper products	700
Varian Data Machines	Mini-computers	700
California Computer Products Inc.	Data processing equipment	688
CBS Musical Instruments	Musical instruments	675
Townsend Co., Cherry Rivet Div.	Fasteners	662
Edwards Laboratories	Medical supplies	650
Arrowhead Products Co.	Aerospace	625
Allergan Pharmaceuticals Corp.	Ophthalmic drugs	600
Swedlow, Inc.	Acrylic sheets	575
Electronic Engineering of California	Electronics	565
Computer Automation Inc.	Computers	550
Times Mirror Co.	Publisher	550
Union Oil Co. of California	Petroleum products	545
Bentley Laboratories Inc.	Medical products	519
Airco Cryogenics	Freezers	500
Astech	Sheet metal fabric	500
General Motors, Delco Div.	Batteries	500
Steelcase Inc.	Office furniture	500
Travenol, Hyland Div.	Diagnostic products	500
Western Digital Corp.	Micro electronics	500

Source: Orange County Chamber of Commerce, June 11, 1976.



## Transportation

Interstate freeways 5 and 405 intersect about five miles north of Mission Viejo. Interstate 5 is the major north-south route along the Pacific Coast. Interstate 405 is an alternate route that branches from Interstate 5 north of Los Angeles (becoming the San Diego Freeway), passes through the coastal cities of Santa Monica, Long Beach, and Huntington Beach, and rejoins Interstate 5 five miles north of Mission Viejo.

The Orange County Transit District operates 33 routes throughout the county, with stops in Mission Viejo. Greyhound provides interstate bus service from stops in the adjacent communities of El Toro and San Clemente.

The Los Angeles-San Diego mainline of the Santa Fe Railway is located immediately west of the District. Amtrak-operated rail passenger service to all points is available to District residents at San Clemente and Santa Ana.

Orange County Airport, located 15 miles northwest of the District, is served by Air California, Hughes Airwest and Golden West Airlines. Air freight service is also provided by the airlines. Extensive general aviation facilities are also available at the airport.

## Utilities

Utility services, all underground, are provided to District residents by the following:

Electricity: Southern California Edison Company; San Diego Gas and Electric Company

Natural gas: Southern California Gas Company

Telephone: Pacific Telephone Company

Water and Sewer: Santa Margarita Water District, as discussed previously

## Education

The Mission Viejo area is served by four pre-schools, eight elementary schools, an intermediate school, other schools outside Mission Viejo, and Mission Viejo High School. Mission Viejo High School occupies a 55-acre site near the entrance to the community. Plans for a second high school are now being drawn.

Saddleback Community College in Mission Viejo offers two-year programs leading to a two-year degree

or transfer to a four-year institution. The college district covers a 376-square mile area including most of southern Orange County. Total 1976/77 enrollment is 14,600.

University of California, Irvine, about 15 miles from the District, is one of the university's nine campuses. Five schools are central to the academic structure at Irvine: biological sciences, fine arts, humanities, physical sciences, and social sciences. Professional degrees are offered in engineering, business administration, and medicine. Fall 1976 enrollment was over 9,000, including graduate and medical students.

Other institutions of higher learning in Orange County are California State University at Fullerton; Chapman College in Orange; Pacific Christian College, Fullerton; Southern California College, Costa Mesa; West Coast University, Orange; and Western State University College of Law in Fullerton, plus the following 2-year community colleges: Cypress Community College; Fullerton Community College; Golden West College; Orange Coast College, and Santa Ana College.

Saddleback Community College.





## Community Facilities

The community is served by Mission Community Hospital, a 212-bed facility offering patient care, 24-hour emergency room, a separate 35-bed intensive care unit, and a recuperative care unit. La Paz Medical/Dental Center and a new medical/dental center provide support services to the hospital.

Municipal services such as police and fire protection and library are provided by Orange County as Mission Viejo is unincorporated. Three county fire stations are located in Mission Viejo, one station site having been donated by the Mission Viejo Company. A county library is also located within the community.

A newspaper, the *Mission Viejo Reporter*, is published monthly by the Mission Viejo Company. Los Angeles and Orange County dailies are also delivered to the community. Mission Viejo Cablevision, a subsidiary of Times-Mirror Corporation, brings television cable service to the area, enabling residents to receive Los Angeles and San Diego stations.

## Recreation and Tourism

Mission Viejo currently has five neighborhood parks and a 26-acre wilderness area. Mission Viejo Company plans to have 26 neighborhood and two community parks by the time the present Mission Viejo planned community is fully developed, in about 1986. Four recreation centers, Montanoso, Marguerite, Sierra and Felipe, are private facilities whose members are entitled to use any one of the centers through individual memberships. Casta del Sol Center is an adult recreation center open to residents of that adult neighborhood. Casta del Sol, Felipe and Marguerite Recreation Centers are located in Santa Margarita Water District.

In addition to the facilities of parks and recreation centers, the community has many recreation programs and planned activities.

Golf courses are available at the private Mission Viejo Golf Club or at the public course at Casta del

Sol. Mission Viejo Golf Course, designed by Robert Trent Jones, is 6,600 yards with 50 traps and 5 lakes, with a par of 72. Adjacent to the clubhouse is Mission Viejo Inn, open to the public with restaurant facilities. Casta del Sol Golf Course is a 3,621 yard 18-hole executive golf course.

Spectator events such as the Virginia Slims Pro Tennis Tour, the Los Angeles International Swim Meet, the CBS "Challenge of the Sexes" and the Southern California Professional Golfers Association Championship have been hosted at Mission Viejo recreation facilities. The Mission Viejo Swim Club is the home of a number of medal winners of the 1976 United States Olympic Swim Team.

In addition to facilities within or nearby Mission Viejo, Orange County offers a broad spectrum of recreational opportunities which are enhanced by its mild climate.

Along the county's Pacific Coast shoreline are five state beaches and parks, five municipal beaches and five county beaches. There are small craft facilities in Newport Harbor, reported to be the largest pleasure craft harbor in the world. A second small craft facility is located at Sunset Harbor in Huntington Beach. A third opened at Dana Point in 1971.

Nearby recreational facilities include the world-famous Disneyland, Knott's Berry Farm, and Mission San Juan Capistrano. Lion Country Safari opened in June 1970 at a 500-acre site south of Santa Ana. It contains a variety of wild animals and birds which visitors may observe on a drive through the facility.

Anaheim Stadium, home of the California Angels baseball team, is 15 miles north of Mission Viejo.

Camping facilities are available in the Cleveland National Forest and at the county's O'Neill, Ronald W. Caspers and Featherly Parks. Orange County has adopted a Master Plan of Regional Parks which calls for development of 28 parks in three priority groups. Nearby State parks are Doheny, San Clemente and San Onofre.



## APPENDIX

PHILIP S. JACKSON, M.A.I.

Appraiser and Consultant

27665 FORBES ROAD  
LAGUNA NIGUEL, CALIFORNIA 92677

TELEPHONE  
(714) 831-0241

MEMBER  
AMERICAN INSTITUTE OF  
REAL ESTATE APPRAISERS

September 7, 1976

Santa Margarita Water District  
P.O. Box 2277  
Mission Viejo, Calif. 92675

Re: Update of Appraisal of  
Land within Improvement  
Districts No. 1-S & 1-W,  
Orange County, California

Gentlemen:

In accordance with the request of Mr. W. W. Knitz, General Manager, by letter dated August 6, 1976, I have examined the subject property for the purpose of rendering an updated opinion of its market value as of September 2, 1976.

After inspection of the property and analysis of factors pertinent to its valuation, it is my conclusion that the market value thereof, as of said date, was \$146,000,000.

ONE HUNDRED FORTY-SIX MILLION DOLLARS

This may be allocated as:

Developed Land            \$120,000,000

Undeveloped Land        \$ 26,000,000

This valuation includes the value of the improved land and the unimproved acreage. It is, in effect, the summation of the value of all the individual parcels within Improvement Districts 1-S and 1-W. No structures are included within the valuation.

By summary appraisal report dated April 17, 1974, Cedric A. White, Jr., M.A.I. and the undersigned rendered an opinion of the value of essentially the same property. The value reported at that time was \$60,000,000.

The increase in value is primarily attributable to land development cost which has increased by in excess of \$35 million. In addition, there has been an evident general increase in land value in the intervening 2-1/2 years. Also, a large segment of subject land has been converted from raw land to improved land in relatively small individual parcels with a resultant total value increase, and the total raw land area is now 2-1/2 years nearer to ultimate development.

In this updated appraisal, I have considered changes which have occurred within the property and within the general Mission Viejo community and its vicinity.



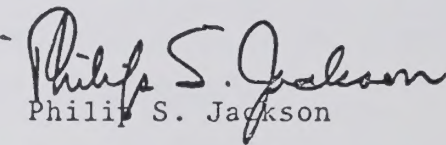
Santa Margarita Water District, page 2

9/7/76

Within the following short-form appraisal report are summaries of the current development status, other factual data, market data and valuation.

Additional appraisal information and market data details are retained in my files, but are available for discussion upon request.

Respectfully submitted,

  
Philip S. Jackson

PSJ:gc

Enclosures



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